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NEWS SUMMARY

GENERAL

Front Line talks today

An unscheduled meeting of the African "front line" presidents and Patriotic Front guerrilla leaders is being hastily arranged in Lusaka for today.

Its objective is to draw up a common strategy for the eight-day Commonwealth conference, which opens in Lusaka on Wednesday.

Mrs. Thatcher leaves London for the conference today under renewed Tory pressure to recognise the Muzorewa regime. **Back Page and Editorial comment, Page 10.**

Iraq plotters 'executed'

Iraq's ruling Revolutionary Command Council has executed at least five high-ranking Government and party officials and arrested more than 250 others on charges of plotting against the State, Arab diplomats reported in Beirut.

A council statement said the ploters received instructions and funds from "an external quarter" to conspire against the regime and force it to support the Egyptian-Israeli peace treaty.
Page 2

Madrid bombs

Bombs at Madrid's airport and two main railway stations killed at least five people and wounded 113. The attacks—with the killing of three policemen over the weekend—was seen as the work of the Basque separatist guerillas of ETA. Back Page

Grand Prix win

Australian racing driver Alan Jones won the German Grand Prix at Hockenheim in a Saudia-Williams, followed by Swiss team-mate Clay Regazzoni, with Jacques Laffitte of France (Ligier) third. Non finishers included Lauda, Patrese, Jabouille and Arnoux.

Briton accused

British businessman John Smith, who has been held incommunicado by Iraq since July 12, is to be charged with attempting to bribe an official to procure a commercial transaction, said Iraqi news agency. He is managing director of Hestair Denis.

Lightning killer

Lightning struck a group of holidaymakers on a Skegness beach, killing a six-year-old girl and seriously injuring another child. At Blackpool a girl of 18 and a youth of 19 drowned in choppy seas.

Benn's aim

The Labour Party should fight the next general election on a radical, socialist programme similar to the one which brought it overwhelming victory in 1945, said Mr. Anthony Wedgwood Benn. This was the aim of party reforms he was now pressing. **Page 4**

Sinai talks

Israeli and Egyptian Defence Ministers, meeting in Tel Aviv, decided to strengthen direct links between their country's armies. They discussed the controversial issue of a UN presence in the Sinai to supervise Israel's withdrawal. **Dayan for U.S., Page 2**

Briefly . . . .

Official inquiry opens in Chicago today into the DC-10 aircraft crash which killed 273 people in May.

Bride and 28 of her wedding guests taken to hospital with food poisoning after a wedding reception in Halifax, Yorkshire.

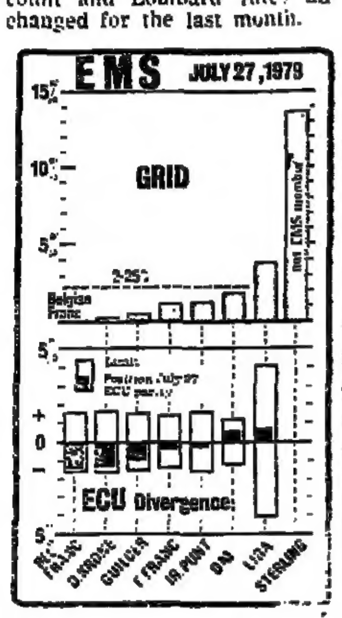
Chinese Communist Party chairman Hua Guofeng sent personal note of alology to Ayatollah Khomeini for visiting Iran last September during the Shah's reign.

BUSINESS

New hunt for oil reserves in UK

● **ENERGY DEPARTMENT** is expected to issue five licences to oil exploration groups which will begin a new search for onshore fuel resources in England and Scotland. **Back Page**

● **BELGIAN FRANC** remained *within its maximum permitted* divergence limit against the European Currency Unit last week, but once again was the weakest member of the European Monetary System. The Italian lira was still the strongest member of the EMS, followed by the D-Mark, Irish punt and the French franc. Paris interest rates were firmer, but there were no major changes among the EMS members, with Belgium's *key* discount and Lombard rates unchanged for the last month.



The chart shows the two constraints on exchange rates within the European Monetary System: the "grid" of cross rates from which no currency (except the lira) may move more than 2¼ per cent; and the varying degrees by which each currency may diverge from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

● **COMPANY LAW** will be brought closer to EEC practice next month with the publication of a Government document covering proposed changes in accounting principles and disclosure regulations. **Page 3**

● **IRAN** decided in principle not to go ahead with any new schemes to export any of its huge gas reserves by pipeline or in a liquefied form. **Back Page**

● **STERLING** will weaken over the next year, according to reviews by two leading foreign exchange market commentators. **Page 3**

● **MAIN PROVISIONS** of the Banking Act will come into force on October 1. **Page 3**

● **U.S. FEDERAL** Trade Commission won the first round in its bid to block Exxon's $1.17bn (£505m) takeover of Reliance Electric. **Page 13**

● **ALFA ROMEO** and its parent company, Finmeccanica, denied reports that Alfa Romeo might soon be sold to Fiat or a foreign car group. **Page 13**

● **TATE AND LYLE** is to close in November its Walkers sugar cane refinery at Greenock in Scotland. **Page 3**

● **ATTEMPT** to withdraw TUC *leaders from all talks with the* Government on proposed changes in employment law will be made at the annual Congress in Blackpool in September. **Back Page**

● **LONDON AND MANCHESTER** Assurance reports a first-half advance in new life annual premiums in its industrial branch from £1.79m to £2.39m. **Page 12**

CONTENTS

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Poor profits will bring investment decline, says CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A warning that poor profitability of companies this year may be followed by a downturn in investment by manufacturing industry will be issued in the next two days by the Confederation of British Industry.

Earlier forecasts for the real rate of return by industrial and manufacturing companies this year are being cut by the CBI from 3½-4 per cent to "3 per cent at the most," which is lower than that in 1975.

"The movement in real profitability between 1973 and 1979 is a turning point which, on the evidence of past behaviour, is likely to be followed by a downturn in investment, with all that may mean for the future of jobs and living standards," says the CBI in a paper to be presented to a meeting of the National Economic Development Council on Wednesday.

Conflict

At the same time the paper maintains the CBI's official line of loyalty to the present Government, and says that the Government's strategy for "significantly improved" the general climate for business.

These potentially conflicting lines of gloom about future prospects, tempered by a welcome for the Budget measures, will be repeated tomorrow when the CBI publishes its quarterly *trends survey.*

The survey results are believed to show that businessmen do not expect industrial activity to continue at the improved rate reported three months ago when industry was recovering from the winter's lorry drivers' and other strikes.

Worries about prices being a constraint to exports have worsened because of the rising pound and industrialists are openly expressing concern about how they will face up to wage negotiations this winter.

Many businessmen are especially concerned because the long run of various sorts of pay policies for much of the past decade has meant that they are not used to negotiating without pay guidelines.

Members of the CBI's economic situation committee, who studied the survey results just before the weekend, emphasised their determination to stand firm against high wage claims.

They were worried about the likely fall-off in industrial activity, which shows that there has been no real improvement, despite the earlier upturn caused by factors such as pre-Budget spending and the recovery from the winter and its strikes.

There is also increased concern about the pound, despite the Government's relaxation of exchange controls.

In its paper for Wednesday's NEDC meeting, which is circulating among council members and has been sent to Sir Geoffrey Howe, Chancellor of the Exchequer, the CBI says:

"Many companies feel that just recently the pound has been rising too far too fast, to a level at which, if they are to stay price-competitive in the short term, their profit margins must be pared to the bone, and deeper.

"While they accept that the pound's rise has been to some degree due to forces beyond our control, they have at the same *time been critical* not only of high interest rates but also of the continuation of exchange controls on overseas investments."

Revising

Discussing profitability, the CBI says that its estimates in May of a 3½-4 per cent rate of return for companies, excluding North Sea operations, must be revised down further, to 3 per cent at most, because "output will be even more sluggish than we had thought."

This is because of dearer oil, the rising pound and measures on taxation and Government spending that will limit domestic demand. The Budget incentives will "take some time to come through."

The CBI paper will be considered at the council meeting with other papers from the Industry Department and the National Economic Development Office.

Engineers begin national overtime ban today

BY ALAN PIKE, LABOUR CORRESPONDENT

LONG-THREATENED industrial action over the engineering industry national pay claim begins today with an overtime ban throughout the country.

The dispute will be stepped up a week today with the first of a series of national one-day strikes designed to win a new minimum craft rate of £80 and a series of other improvements including a shorter working week.

Mr. Alex Ferry, general secretary of the Confederation of Shipbuilding and Engineering Unions which is co-ordinating the action, said that "without doubt" the overtime ban alone would hold up production, with exports bound to be affected.

The *Engineering Employers'* Federation has not come forward with a minute move to avoid the dispute. It had chosen instead to wait and see what happens in the belief that the unions may be only partially successful in persuading their members to join the action.

While the support of engineering workers in big plants in traditionally militant areas like Manchester and Sheffield is assured employers suspect that reaction may be much more patchy elsewhere. The position is further complicated by the fact that the action is starting when many workers in the industry, including thousands in the West Midlands, are in the middle of their annual summer *holidays.*

Confederation leaders are bound by tightly-framed conference decisions to obtain the minimum rate for craftsmen with proportionate rises for others, a one-hour reduction in the working week this year, two days extra holiday and a common starting date for the new agreement. The employers, who want to begin the agreement on the anniversary dates of company-level settlements, have offered to raise the craft minimum from £60 to £70 per week.

Earnings of most engineering workers are determined at plant level, with the national agreement providing a minimum rates and conditions framework for the industry. Shop stewards now face the task of convincing *workers who often earn* well above the minimum rates that the national agreement is an issue worth taking action over.

● On another important outstanding pay issue the Government is expected to publish on Wednesday the first report of Professor Hugh Clegg's comparability commission covering local authority, health service and university manual workers and ambulancemen.

The public service workers, who received 9 per cent awards plus payments on account after disputes last winter, are due to receive 50 per cent of any comparability recommendation next *month and the remainder in* April.

S. African companies to take bulk of Sasol's share issue

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA'S pioneering oil-from-coal producer, Sasol, has announced details of its R525m (£270m) share issue to *help finance the massive* expansion of its synthetic fuel production programme.

The bulk of the issue—R490m—will take the form of a private placement to institutional and corporate investors in South Africa. The public share issue, available to foreign investors, will amount to R35m.

In spite of the size of the issue—it is by far the largest in South African history—the hitherto wholly state-owned Sasol seems confident that both sections will be oversubscribed. The company is forecasting a dividend yield of 7 per cent and earnings growth of 12.5 per cent. It is relying on the current euphoria surrounding synthetic fuel production to attract widespread investor interest.

The purpose of the share issue is to spread the burden of financing Sasol's latest expansion, the R3.3bn Sasol 3 plant, by bringing in private capital. Export credits are being used to finance a further R655m. The State Oil Fund, financed from fuel levies and direct government funds is making up the balance.

The plant is intended to come on stream in 1982 after the commissioning of Sasol 2 early next year. The two plants should boost South Africa's synthetic fuel production to 47 per cent of current liquid fuel requirements.

In spite of widespread international interest in the project—and a spate of queries, particularly from the U.S., on Sasol's production experience—foreign investment will be limited to the public share issue.

Mr. Joe Stegmann, managing director of Sasol, said the financial rand, available at a discount *to the commercial rand,* could be used for such investments. But the private placement would be restricted to South African institutions.

One reason for the restriction on the private placement is that it will be made in four tranches. Mr. Stegmann said this would spread out the effect on the Johannesburg capital market.

Institutional investors will contract to pay for 40 per cent of their subscription on application, 40 per cent next year, and the final 20 per cent in 1981. Public subscribers, including foreign investors, will have to pay spot cash.

The decision means that such potential investors as the oil majors are less likely to take part, although Sasol production will eventually make considerable inroads on their South African market. The political sensitivity of the project, in helping South Africa to protect itself against possible oil sanctions, has also discouraged direct oil company participation.

Even so, the investment should prove attractive, given a *virtual guarantee* by the South African Government to maintain protective barriers for the indigenous fuel industry. They amount to a minimum of 3.6 cents a litre.

Private placements open on August 15 and the public issue on September 28.

The public share of the issue, at R35m, is R10m more than originally intended. This is due to the amount of small investor interest.

The issue is being handled by South Africa's five major merchant banks. They are confident that it will be fully subscribed, on the basis of their researches.

Mr. Stegmann said that international interest in Sasol's operations—it has produced oil from coal at its Sasol 1 plant since 1955—was running at an unprecedented level because of the latest oil crisis.

"We are discussing the question of feasibility studies and subsequent licensing with a number of parties," he said.

Barclays predicts interest rates rise

BY DAVID FREUD

BARCLAYS, the UK's biggest bank, says a further rise in interest rates from the present near-record level is likely.

In its latest financial survey the bank doubts whether consumer loan demand will ease this year. *This implies heavy* pressure on the banks to satisfy credit demand within the official "corset" limits and monetary targets.

Barclays says rationing of advances will be unavoidable if the banks are reluctant to raise base rates to choke off loan demand.

However, even this may not prevent a rise in interest rates if the demand for credit by frustrated borrowers is sustained, for they will turn to other markets, including the inter-bank market itself, and push up money rates generally.

The warnings of a further rise *in rates* represents a marked shift of opinion following the Budget, when the Minimum Lending Rate was raised from 12 to 14 per cent.

This compares with the all-time 1976 peak of 15 per cent. It was widely believed the next move would be downward.

Actions

However, last week the Bank of England had to take steps to prevent money market rates moving further above MLR, both by providing assistance in the markets and by postponing *a recall of special deposits due* next week.

The Bank's actions suggest it believes the pressure will be short-term, but Barclays now argues that it is unlikely to ease in the near future.

It says: "It may be premature to expect a significant downturn in personal sector loan demand before the end of 1979." Also, there is little evidence of any substantial prospective cutback in capital spending.

Stockbrokers L. Messel and Co. say the signs for an early respite from excessive bank lending to the private sector are not particularly encouraging.

According to Laing and Cruickshank: "There is an outside chance that the next movement in interest rates will be upward. There is absolutely no guarantee that rates will be brought down quickly."

Montagu Loebl Stanley and Co. believe credit demand will remain high till September and any relaxation of the higher interest rate policy before this will be ahead of the game.

£400m dividend pay-out as restraint ends

BY RAYMOND MAUGHAN

SPECIAL DIVIDENDS totalling about £400m are likely to be paid in the next few weeks after the expiry tomorrow of statutory dividend controls.

From Wednesday, companies will be free of dividend restraint for the first time since official restrictions were imposed in 1972.

Unilever will be one of the first big companies off the mark. Under the dividend-sharing arrangement with its Dutch sister company, the group has accumulated a large pool of unpaid dividends during the past seven years.

On Wednesday it will pay *those out in a lump sum* at a net cost of £52.9m, or 33.52p a share.

Shell Transport and Trading has built up unpaid dividends worth £296.9m net, since 1972, the equivalent of 27.184p a share. A decision as to how that will be paid is likely to be imminent. The board meet this week and the expectation is that Shell too, will pay a lump sum.

British Petroleum has promised to pay a special interim dividend costing £47m at the end of August. It will be made up of a £42m special interim distribution and a further £5m for 1978 to compensate for the cut in income tax announced in last month's budget.

BP also expects to increase its 1979 dividend from £97.3m to £212m net.

Apart from special backlog payments, companies are also increasing the level of their regular distributions.

Gross dividends on the FT-Actuaries All-Share Index, which takes account of official dividend *forecasts* by its constituent companies, have shot up by a seventh this month. Leading City stockbrokers estimate that for 1979 as a whole, dividends might rise by a fifth.

The Dividend Act, 1978, expires tomorrow and, as expected, the Government has made no effort to renew it. Periods of complete dividend freedom have been the exception rather than the rule for the past 14 years.

Controls were enforced statutorily or voluntarily between 1965 and January, 1970. The period of freedom under the Heath Administration lasted until November, 1972, and statutory limits on the annual increase in dividend payments have been enforced continuously since then.

Tax relief review

BY ELINOR GOODMAN, LOBBY STAFF

MINISTERS ARE considering whether there is scope for reducing certain types of tax reliefs that are extremely costly in terms of lost revenue.

A *possible candidate for* review is the relief on life insurance policies, which cost the Exchequer £260m last year.

The Prime Minister's rejection last week of the suggestion that tax *relief on mortgages* might be abolished does not apparently rule out changes in other types of relief, although it is recognised that any change would be very sensitive politically.

The Government's general purpose is to widen the tax base and so compensate for some of the revenue lost through reducing income tax.

The feeling is that with direct taxes being reduced, there is no longer the same justification for making exemptions in special circumstances. The idea behind any review of existing tax relief would therefore be the same as that behind the current study of the treatment of businessmen's perks.

The argument in favour of changing tax treatment of insurance policies is not only the general lessening of the need for special reliefs, but *that the system discriminates* against small businesses.

Some Tory backbenchers argue that it is unfair that large companies benefit disproportionately from the invest*ment funds of life assurance* companies, which in turn have attracted the savings of the small investor because he could get tax relief on a life insurance policy.

Although some Tories say that the best solution would be to introduce a new form of tax relief for investment in small businesses, others argue that it would be better to abolish tax relief on insurance premiums and thus put all investment on the same footing.

Any change would doubtless be resisted strongly by some members of the Cabinet

Those in favour of the

Continued on Back Page

Iraqi leaders 'executed' after conspiracy trial

BY IHSAN HIJAZI IN BEIRUT

FIVE MEMBERS of Iraq's highest executive body, who were formally accused on Saturday of plotting to overthrow the regime of President Saddam Hussein, may have already been executed.

The five alleged conspirators are Adnan Hussein, Mohammed Ayyash, Ghanem Abdul Jalil, Mohammed Mahjoub and Mohie Abdul Hussein Mashhadi, all members of Iraq's Revolutionary Command Council.

The report that the five, who had been tried by a seven-man "extraordinary" court, had already been executed was carried by Beirut's Left-wing daily As-Safir, which is well informed on Arab affairs. The newspaper predicted many more executions soon. Other reports published in the Lebanese Press yesterday put the total number of people arrested so far at 250.

Mr. Mashhadi, who was expelled from the Revolutionary Council, other Government functions and from the leadership of the ruling Baath Party, on July 12, and arrested four days later, was the one who gave the rest away, according to the official announcement and diplomatic reports.

The announcement said Mr. Mashhadi made full confessions before a full meeting of the Revolutionary Council, Baath Party leaders and cadres.

According to Arab diplomats in Beirut, President Saddam Hussein convened an emergency meeting of the Revolutionary Council on July 20 in Baghad and confronted four members of the Council with Mashhadi, who reportedly confessed that they were planning a coup d'etat to seize power with the help of an unidentified Arab regime.

Ayyash was named as the liaison with the Arab country in question. He had reportedly arranged for this country to send a unit of paratroopers dressed in Iraq uniforms to take part in the coup.

Some 50 Iraqi officers, 100 Baath Party members, and several union leaders were to take part, according to As-Safir.

Arab diplomats are speculating that President Ahmed Hassan Al Bakr decided to step down on July 16 in favour of Mr. Saddam Hussein so the latter could deal with the plotters. Mr. Al Bakr was still in his post when Mr. Mashhadi was arrested.

The official statement said that due to the "national interest" the identity of the "external source" which allegedly provided the money to finance the conspiracy would not be revealed yet.

Observers here believe the allusion is to Libya, whose relationship with Baghdad has been deteriorating for some time.

Since President Sadat's visit to Jerusalem in 1977, Libya and Iraq have been vying for the leadership of the Arab world.

Dayan in talks on Sinai forces

BY L. DANIEL IN JERUSALEM

ISRAELI FOREIGN Minister Moshe Dayan will go to Washington at the end of this week at the invitation of Secretary of State Cyrus Vance to discuss the forces to be stationed in Sinai now that the UN Emergency Force is being withdrawn. A similar invitation has been extended to Egypt's Foreign Minister.

The Security Council did not renew the mandate of the 7,000-strong UNEF because of Russian objections, and the U.S. wants the UN Truce Observers (120 unarmed men) to take their place.

Israel objects to this since this group is subject only to the orders of the UN Secretary General and can be withdrawn by him without Security Council authorisation, as happened before the six day war. Moreover the force is much too small to police the large buffer zone and, even if enlarged, it could comprise Russians or troops from other countries which broke off diplomatic relations with Israel and could not therefore be considered neutral.

The U.S. undertook, as part of the peace agreement, to constitute a multi-national force to supervise implementation of the agreement if the Soviet Union vetoed the continuation of the UNEF mandate. What worries Jerusalem most at present is the fact that the U.S. seems to be reneging on an undertaking given but a few months ago.

The Israel Cabinet yesterday also considered the conflicting reports from Washington regarding the latest U.S. position *vis-à-vis* the PLO.

Israel's Defence Minister, Mr. Ezer Weizman, did not participate in the session as he is hosting his Egyptian counterpart, General Kamal Hasson Ali.

The two Ministers are reviewing the progress made so far in the Israeli evacuation of Sinai and considering implementation of the next stages. Weizman seems to favour direct co-operation between the two armies.

Afghan Cabinet reshuffle

BY SIMON HENDERSON IN ISLAMABAD

PRESIDENT Nur Mohammed Taraki of Afghanistan has reshuffled his Cabinet and assumed special powers in an attempt to meet the growing threat of rebellion.

Such measures were expected, but observers say the Ministerial changes indicate only a closing of ranks in the pro-Soviet Khalq Party leadership. President Taraki is taking all decisions on defence and the armed forces himself.

Mr. Hafizullah Amin, the the Foreign Secretary who some observers expected to be purged, is promoted to Minister of Defence. Major Aslam Watenjar, a leader of last year's coup against former President Mohammed Daoid, moves from Defence to the equally influential post of Interior.

Another significant change is the promotion of Dr. Shah Wali to Foreign Minister.

More U.S. car men laid off

By John Wyles in New York

BETWEEN 5 and 6 per cent of the 816,758 hourly-paid car workers in the U.S. will soon be laid-off indefinitely, after a decision by the giant General Motors to lay-off 12,600 employees

The GM lay-offs will bring the total number of lay-offs by Detroit's big three car companies to 44,100. Chrysler Corporation has sent home 19,200 or 14.5 per cent of its hourly-paid labour force, and Ford Motor Company 12,300 or 6.6 per cent of its total.

Mr. Irving Bluestone, vice-president of the United Auto Workers and head of its General Motors department, blamed Congress for failing to enact a "sensible energy programme" when the need first became apparent several years ago.

Mr. Bluestone was implying that the industry was a victim of the great public concern about petrol shortages which has dominated the past three months. The other probability, however, is that inflation allied to a slowdown in personal income gains is cutting back consumer spending.

The total number of lay-offs at GM will be offset by the addition of 2,580 jobs at the company's new Oklahoma City plant, which is producing its new "X" body compact cars

U.S. Greek bases threat

BY OUR ATHENS CORRESPONDENT

THE GREEK GOVERNMENT appears to have decided to make further operation of U.S. military bases in Greece conditional upon renewed membership of the military wing of Nato.

Greece has also rejected recent American requests to install new electronic observation posts, according to an authoritative Greek military spokesman. The observation posts were to have replaced those closed down after the revolution in Iran.

The refusal follows a stalemate in negotiations for Greece's re-entry into Nato's military structure, from which it withdrew in August 1974 in protest over Turkey's invasion of Cyprus.

Before its withdrawal from Nato, Greece had full command responsibility over the entire Aegean. Turkey, which had considered this unfair, is now blocking Greece's return to Nato.

Since 1977, however, an agreement has been in operation giving Greece and Turkey command over their own air space, while leaving responsibility for international air space in the hands of a Nato commander from a third country. Greece claims this agreement is impractical.

The Greek Government is evidently annoyed by what it considers a continuing American tilt towards Turkish views and has turned down U.S. demands for expanded transmitting facilities. The matter will come to a head when Nato experts visit Athens in September.

Polish economy hit hard

WARSAW—Poland yesterday announced some of its worst economic figures for years, revealing that a bitter winter had dealt a deadly blow to industry, agriculture, construction and transport.

A report by the main statistics board on the first six months of 1979 showed almost no growth so far, in a year when planned expansion was among the lowest since the Second World War.

Industrial production, expected to rise this year by 4.9 per cent, was only 0.6 per cent up from the same period last year. Consumer goods, traditionally the weakest feature of the economy, did not increase at all, although output was supposed to rise by 7.7 per cent.

The number of cattle decreased by 0.6 per cent, compared with a year ago, pigs by 2.3 per cent and sheep by 0.7 per cent.

The report also said this year's grain harvest would be lower than last year, necessitating further costly grain imports.

Housebuilding was down by 11 per cent from the first half of last year.

Reuter

Indian politicians vie for power

BY K. K. SHARMA IN NEW DELHI

MR. CHARAN SINGH struggled yesterday to form a coalition government in India after the effective boycott by six of the seven Congress Party nominees to the Cabinet of the swearing-in.

Mr. Charan Singh was sworn in as Prime Minister on Saturday with seven others in his newly formed Janata (S) Party—the "S" stands for secular. Among those sworn in was Mr. Y. B. Chavan, the only member of the Congress Party to join the new Cabinet so far. Mr. Chavan has been designated Deputy Prime Minister in charge of home affairs.

Other Congress nominees stayed, mainly because of strong objections raised by Mrs. Indira Gandhi to the inclusion of ministers of her former Government who had later testified against her in Commissions of Inquiry into charges against her.

A spokesman for Mrs. Gandhi said: "The support announced by our party was for Mr. Charan Singh to form the Government. That chapter closed the moment Mr. Singh was sworn in." This suggests that Mrs. Gandhi's Congress (I) Party—the "I" stands for Indira has deliberately stayed out of the coalition to gain the upper hand.

Mrs. Gandhi has already started showing the power she wields. The coalition between the Janta (S) and the official Congress can hope to form the government only with support from Mrs. Gandhi's breakaway Congress (I), which has 69 members in the Lok Sabha (lower house of parliament).

Since she can topple the coalition by withdrawing her support, Mrs. Gandhi has considerable leverage and she has already started making full use of it. She did so even before the nine members of the Charan Singh cabinet were sworn in, and has made it plain that she intends to keep the upper hand.

Neither Mr. Charan Singh nor the official Congress is happy about this, but there is little they can do about it. They are likely to find the going even harder once Mrs. Gandhi asserts herself more, demanding that cases against herself and her son Sanjay be withdrawn.

The new leader of the opposition, Mr. Jagjivan Ram—who now heads what remains of the Janata Party after the resignation as its leader by Mr. Morarji Desai last Friday—is also attempting to topple the government. In a broadcast yesterday, Mr. Ram said Mr. Charan Singh was in a minority and so could only form a caretaker Government until he won a vote of confidence in parliament.

Mr. Ram was confident that the new coalition would collapse and said that he should then be asked to form the government, since he headed the largest party in the Lok Sabha.

Portugal's woman premier in a male world

By Jimmy Burns in Lisbon

"I'll believe it when I see it," said one of Portugal's leading politicians on being told that 49-year-old spinster Maria de Lourdes Pintasilgo had been appointed the country's new Prime Minister.

The chauvinist reaction was not entirely unpredictable in a country where politics has traditionally been a male reserve. Only 7 per cent of the Portuguese Parliament comprises women. No presidential candidate has ever been a woman, and usually military at that, while all political parties there exclude women from their leadership. Sra. Pintasilgo has no official party links and it is doubtful whether, given the present state of Portuguese politics, whether she would have made the grade other than as anything but an independent.

I have recently obtained an unpublished paper which Sra. Pintasilgo wrote in 1974 when she was Minister for Social Affairs and already deeply involved in stimulating the Commission on the Status of Women as an effective government department for the promotion of women's rights.

On the role of her sex in society she said: "Within the revolution women can form a 'new left' that will point to a different attitude towards reality. They can thus become dynamic elements in the reconstruction of the country not only by just following the road that men have begun but rather by breaking entirely new ground."

Her thoughts go a long way towards explaining some of the disquiet which the right-wing parties have felt with her appointment.

For Sra. Pintasilgo's vision was directly linked to Portugal's special social and political circumstances and particularly the transformations following the military overthrow of the old regime on April 25, 1974.

As a result of the coup, Portuguese women threw off their status as second class citizens and became conscious of their power and the opportunities opening to them.

Five years after the coup, with the Portuguese political system moulded to western style democracy, the revolution looks like having fallen by the wayside. In retrospect though Sra. Pintasilgo's words are still prophetic since a lot of ground has been gained in the meantime.

The constitution throughout the Salazarist Regime based itself on the primitive principle that all animals are equal and defined women accordingly.

He stated that every Portuguese was equal before the law "except for women," the differences resulting either from their nature or from family interests.

The basic principle of female subservience was confirmed in legislation which varied from allowing husbands to open their wives' mail to clemency for men who murdered their wives found in or suspected of adultery.

The 1966 Civil Code stated that "the husband is the head of the family and as such he is to decide and direct on all matters concerning marital life." Female access to the labour market was restricted and women were legally prevented from becoming judges or diplomats.

Portugal's present Constitution, approved by a freely elected constituent assembly in 1975, lays down that no person can be discriminated against on account of sex and that husbands and wives share equal rights and responsibility towards their children and towards each other.

The new Civil Code, which came into force in April last year, confirms women's equal rights within the family. The wife can now choose when and where to work, be admitted into the higher echelons of the Civil Service, and can leave the country of her own volition.

There have also been radical changes in legislation governing divorce and illegitimacy, no easy task in a country where the Catholic Church still wields considerable political as well as spiritual muscle.

The new Civil Code has annulled the concordat with the Holy See, which had prevented those who had married with the Catholic Church from getting a divorce.

Other legislation in the pipeline is an Equal Opportunity Act.

A member of one of Portugal's leading women organisations told me: "The Constitution is one thing, the other is the reality of Portugal's economy. Portuguese women are still the first to be dismissed and the last to be employed."

It is doubtful, given Portugal's self-imposed austerity whether this pattern will change dramatically in the short term. But with the appointment of Sra. Pintasilgo Portuguese women have at least some ground for hope.

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NIGERIA'S DRIVE TO CURB IMPORTS

Britain begins to feel the bite

BY FRANK GRAY

NIGERIA'S efforts at reducing imports are finally showing substantial signs of success following a series of austerity measures introduced by the Government of Lt.-Gen. Olusegun Obasanjo.

Its programme of recovery began formally with its April, 1978, budget, which cut back government spending and sought to curb the flow of imports and the drain of currency into foreign hands. This was followed last April with a new budget refining many measures brought in during the previous year.

In the new budget, Maj.-Gen. J. J. Oluleye, the Federal Commissioner for Finance, described the then-existing situation as "relatively happy," but added that further constraints were required "in the light of the experience gained in administering the measures introduced last year."

The new budget placed under import licence restrictions a wide range of finished goods and foodstuffs ranging from perfumes, cosmetics and building materials to butter, cheese, frozen meat, grains and rice.

As a further safeguard, the Government last December hired the Societe Generale de Surveillance, the Swiss-based customs pre-inspection company to police at their points of origin all major foreign cargo shipments bound for Nigeria.

The cumulative effect of these measures has been to slash Nigeria's imports from the UK by some 60 per cent over the first half of this year to £237m, an average of £39.5m per month. This compared with last year's total of more than £1.1bn in UK imports, at an average of £94m per month.

Probably more than any other measures, the SGS agreement, which was foreshadowed in the 1978 budget, was most effective in putting the brakes on the flow of imports.

An important factor was the curbing of "over invoicing," under which Nigerian importers would appear to pay more for goods ordered merely as a means of moving excess cash out of the country.

But the aims of the policy apart, the sheer administrative complexity of introducing pre-shipment inspection has played a central part in slowing down the overall processing of incoming shipments.

Mr. H. B. Newman, the managing director of SGS in the UK, said the pre-inspection deal was nothing new. The company, which has been in business for a dozen years, described the Nigerian deal as a "a big contract, but part of a bigger picture" in Africa.

With a staff of 600 in the UK (SGS has 8,000 working internationally) ensuring that invoices and money paid match the description of the goods ordered, the company has handled numerous African national accounts, such as Ghana, Kenya, Zaire, Tanzania and the Ivory Coast.

Nigeria's austerity measures have reduced imports from Britain to £237m in the first six months of this year, a 60 per cent drop from last year's total figure of £1.1bn. The UK Department of Trade is optimistic that the position will improve in the second half with monthly figures now showing signs of improvement

The downturn in exports from Britain is borne out by the experience of the major shipping companies themselves.

The UK-West African Shipping Conference, which handles about 85 per cent of the market share of all sea-going cargo betkeen the UK and Nigeria, says that it was moving seven to eight shiploads of goods per month to Nigeria 18 months ago, or well over 1m tonnes of goods annually. This declined to about two shiploads per month this year. This is only just now beginning to show signs of recovery, and the Conference hopes that by the end of the year it will be back up to about 75 per cent of the 1977 shipment levels.

British Caledonian Airways, with a combined total of about 55 per cent of the overall air freight market out of the UK, says it has lost virtually all its cargo charter business, and is now moving freight to Nigeria only in the holds of its scheduled flights.

Through the 1977-78 fiscal year, BCal moved some 3,000 tons of cargo to Nigeria, about half each on scheduled and charter flights.

Te business downturn is as much attributable to the SGS pre-inspection programme as to the Nigerian Government's order that all but the highest priority goods brought into the country be moved by ship rather than by more expensive air transport, a BCal official said.

While the shippers generally are concerned at the loss of business, they readily acknowledge tht the excesses associated with the mid-1970s Nigerian oil boom led to a chaotic situation. At one time it was estimated 400 ships were laid up outside Lagos, some having to wait nearly a year to discharge cargo. The backlog was so serious that BCal and other carriers found themselves flying in shipments of cement and cars, goods that otherwise would always be moved by sea.

Britain's Department of Trade is concerned at the exports downturn, given Nigeria's evolving economic priorities. Britain has traditionally enjoyed its largest trade surplus with Nigeria, and it seems certain this will be seriously reduced by the year-end. For example, in 1977 Britain's Nigerian exports exceeded imports by a £1.06bn-£219m ratio, and stood at £1.13bn-286m for last year.

It is cautiously optimistic, however, that an upward trend in exports is beginning to return to its Nigerian trade. The southbound flow of goods fell from £70m in January, the first month of the SGS agreement, to a low of 26m in April, but this rose to £33m in May and 53m in June.

It is hoped that the worst of the teething troubles associated with the austerity drive are now over, and that there will be a steady improvement for the rest of the year, in support of Britain's £2bn in investments in

UK mission urges development of Brazilian coal resources

BY DIANA SMITH IN RIO DE JANEIRO

A BRITISH coal mission has spent a week in Brazil at the invitation of the Government, inspecting the country's coal mining area and holding preliminary talks with senior officials and technicians.

Initially, the mission has offered to advise the Brazilian Government on a broad spectrum energy plan within which a rational coal utilisation plan would be dovetailed.

This would include alternative uses of coal, such as gasification, liquefaction, fluidised bed combustion—a technology for which the UK has advanced methods—conversion of existing oil burning equipment to coal for the cement industry, coal benefication, training of personnel, and selection and working of the most appropriate mines.

The mission was headed by Dr. J. Gibson, of the National Coal Board, and included Dr. P. Finlayson, deputy managing director of Coal Processing Consultants (jointly owned by the National Coal Board and Woodall Duckham), Mr. W. Ryder, chairman of Woodall-Duckham, Mr. H. F. Kelly, of British Mining Consultants, and Dr. G. G. Thurlow, of the NCB's Coal Research Establishment.

The mission was able to assess, after on the spot inspection of Brazil's coal mines and techniques, what range of service Britain might offer.

The challenge is now considerable, since the financial implications of this year's OPEC increases have become apparent. This has moved the Brazilian Government to urgently study all alternative fuel sources, particularly Brazil's 20bn tonne coal reserves.

The coal is low grade, with a high sulphur and ash content. Until now, annual output of about 12m tonnes has been used exclusively for steel making, since utilisation as an alternative to fuel/oil for industrial firing was considered uneconomic.

Now, however, domestic coal has been made a high priority, essentially for an alternative to fuel oil in the cement industry, which consumes 26 per cent of all fuel oil.

Boilers, according to both Brazilian technicians and the British experts, can be converted to coal firing without undue financial outlays or technical difficulties.

The essential problems lie not only in the coal's poor quality but also in the location of reserves in the far south, several hundred miles from major industrial centres, as well as in the rudimentary, labour-intensive mining techniques.

The British coal mission feels that, as long as planning is methodical and cost effectiveness stressed at every stage, Brazil's coal can be usefully developed.

Imports of foreign expertise and equipment, in the initial stages, are inevitable, as is massive investment — but Dr. Gibson, for one, feels that initial heavy outlays will be justified by long term savings of oil derivatives.

A stumbling block to these ambitious plans may be the new, close attention the Government is paying to the balance of payments, sorely affected by oil imports and debt servicing which, this year, could raise the current account deficit to $8bn. The authorities are keen to avoid massive outlays of foreign exchange on energy developments.

Nonetheless, the British mission feels it has a strong case for Brazilian acceptance of its suggestions, particularly if the emphasis on coal utilisation is to be conversion of the cement industry.

S. Korean deficit increases

By Ron Richardson in Seoul

SOUTH KOREA incurred a deficit of $2.9bn (£1.3bn) in its merchandise trade in the first half of 1979 compared with a shortfall of only £757m in the same period last year.

The main contributor to the deterioration of the trading account was a 50.1 per cent increase in imports to $9.7bn, largely reflecting liberalisation of import controls as part of Government policy to dampen domestic inflation by increasing the flow of goods and equipment into the market.

Exports in the period increased 18.8 per cent to $6.8bn. During June, exports remained static at $1.28bn while imports showed a slight decline

Earlier this month, the Economic Planning Board reduced to $15.1bn the merchandise export target for the year, while raising the import forecast by $400m to $18.9bn, pointing to a trade gap of $3.9bn, for the full year.

Downturn in exports of Swiss clothes

AN "unfavourable development" is reported in Swiss exports of ready-made clothing this year so far, with sales to foreign markets down by 8.2 per cent to SwFr 234m (£60m). This decline, according to a statement put out by the Association of the Swiss clothing industry, took place despite an increase of sales to West Germany—which now takes 45.5 per cent of all Swiss clothing exports—and to such major markets as the UK and Japan.

At the same time, clothing imports into Switzerland rose by 4 per cent to SwFr 887m, leading to a record semi-annual foreign-trade deficit in this sector.

Particularly important were the increased West German and Italian deliveries, while the rapidly-growing imports from Asiatic countries showed a downward trend, only Taiwan noticeably increasing its exports to the Swiss markets. The share of Asiatic clothing manufacturers in total Swiss clothing imports fell from 16.6 to 13.4 per cent.

Holland seeking Polish imports

BY CHARLES BATCHELOR IN AMSTERDAM

THE NETHERLANDS is negotiating the import of 600,000 tonnes of Polish steam coal a year over a 10 year period in a deal which would be worth about $24m at current prices.

Steenkolen Scheepvaartmij (SSM) of Rotterdam, a part of the SHV trading and transport group, said it is in the early stages of negotiating with Poland and with utilities in The Netherlands which would use the coal to fire two power stations due to be built.

Dutch Government approval has now been granted for the banks who are financing the deal to advance funds to the Poles. Mr. W. Peek, director of SSM said. He could not confirm reports that an advance of Fl.100m (£22m) is being discussed.

The quantities of coal involved in this contract are equivalent to about 15 per cent of current consumption of steam coal in The Netherlands.

Polish coal is currently slightly more expensive than South African coal, which costs $37 a tonne cif, but importers are keen to diversify their sources of supply, Mr. Peek said. High freight charges make Australian coal uneconomic, while British and West German coal is also expensive.

In 1976 SSM contracted to take 750,000 tonnes of coking coal a year for 10 years from Poland.

Polish coal is 25 per cent cheaper than natural gas and 30 per cent cheaper than oil, SSM said. The coal would be imported through Rotterdam and Amsterdam.

The increased use of coal in power stations fits in with Government policy of reducing the use of gas for electricity generation, though oil use is expected to increase in the medium term until the use of alternatives, such as nuclear power and coal, has been stepped up.

● A major coal and ore handling group in Rotterdam has announced plans to expand the annual unloading capacity of its Rotterdam terminal by 10m tonnes to 22m tonnes by 1981. Europees Massagoed Overslagbedrijf (EMO), which is also partly owned by SHV, will spend Fl 45m (£12.8m) on a third unloading bridge and stacker/unloader from Pohlig-Heckel-Bleichert Vereinigte Machinenfabriken of Cologne and on extending conveyor belt and weighing facilities.

SHIPPING REPORT

VLCC rates moderate

BY LYNTON McLAIN

FREIGHT RATES for very large crude carriers (VLCCs) moderated last week from the peak of two weeks ago, but demand for smaller tankers was maintained in most world markets.

The downward movement of rates resulted from a lack of demand by charterers for vessels available for immediate loading out of the Gulf.

Interest picked up towards the end of the week, however, and inquiries and orders stopped rates falling to the low Worldscale 50s as had been feared earlier.

After the owner of a 220,000-deadweight-ton tanker offered Worldscale 55, rates for firm charters fixed at between Worldscale 60 and 63, the rate varying with vessel speed.

These rates compared with the six-year peak of Worldscale 100 recorded almost three weeks ago. Nevertheless, the rates for last week encouraged owners to believe that August would show rates with a favourable return, despite the large number of VLCC, and ultra-large crude carriers (ULCC) available.

Rates for smaller tankers from 80,000 dwt to 120,000 dwt were maintained by high demand last week. BP paid Worldscale 185 for a shipment of 82,000 tons of fuel oil from the Gulf to Australia. Brokers were confident that this rate structure would remain.

Trading in the Mediterranean was active, particularly for the 100,000 dwt and 120,000 dwt vessels.

Here, as in other areas, tanker owners took more part cargoes. Activity in the Caribbean Sea area, however, was less active in all respects.

On the product carrier market, there was active demand for several period charters. Owners may be able to gain between $13 and $14 for one-year time charters.

Banking Act starts from October 1

BY DAVID FREUD

THE MAIN provisions of the new Banking Act come into force on October 1.

Banks and other institutions which wish to continue taking deposits must apply for authorisation within the following six months, by April 1, 1980.

Institutions which have not applied by that date must then stop taking deposits.

In a Parliamentary Written Answer, Mr. Nigel Lawson, Financial Secretary to the Treasury, said the first, second and most of the third parts of the Act would come into operation on October 1. A statutory instrument had been made to that effect.

The remaining provisions, dealing mainly with the Deposit Protection Scheme, would come into operation within six months or as soon as most applications for deposit-taking authority had been dealt with.

The delay is because the size of the levies to finance the scheme cannot be fixed until the number of deposit-taking institutions is known.

The Banking Act, which received Royal Assent at the beginning of April, provides a statutory framework for the supervision of the banking sector.

The Act, which grew out of the 1973/74 secondary banking crisis, lays down a two-tier system of "recognised banks" and "licensed deposit-taking institutions."

Brake effect of Budget put at 1%

By Our Consumer Affairs Correspondent

THE IMPACT of the Budget is likely to slow the increase in real consumer spending to about 1 per cent in the second half of 1979, according to stockbroker Phillips and Drew. A further slowdown is expected in 1980.

The broker in its latest review of retailing, says that although disposable incomes will receive a substantial boost from the reduction in direct taxation—particularly in the fourth quarter of 1979 when the main tax rebates are due—this will be offset by the increase in indirect taxes.

Phillips and Drew estimates that the VAT increase alone will add 3 per cent to the retail price index. The likely repercussion will be to put pressure on gross margins. But in food retailing, where gross margins have been widening slightly to absorb rising costs, this trend is expected to continue in spite of sluggish demand.

November closure for sugar refinery

BY JOHN EDWARDS, COMMODITIES EDITOR

TATE AND LYLE is to close its Walkers sugar cane refinery at Greenock in Scotland in November.

Walkers, the smallest of its four remaining UK refineries with an annual capacity of 110,000 tonnes, is to be merged with Tate and Lyle's other Scottish refinery at nearby Westburn, where capacity is being increased to 140,000 tonnes.

The combined workforce will be cut from 330 to 393 employees by early retirement and voluntary redundancy.

At the same time, Tate and Lyle is helping to expand a Scottish electronics company at Greenock which is expected to provide 150 new jobs over the next five years. The present workforce is 20.

Tate & Lyle claims that a rise in EEC sugar imports reduced UK exports, and that a decline in UK sugar consumption to 2.4m tonnes has created a surplus production or over 100,000 tonnes costing the group about £3m a year.

Some of the biggest sales losses have been in Scotland and Northern Ireland, traditionally serviced by the Scottish refineries.

In Northern Ireland, imports from the Irish Sugar Corporation have risen to 29,000 tonnes (68 per cent of total sales there) and in Scotland, beet supplies now account for 23 per cent of the market.

This has cut Tate & Lyle sales in the two regions to 140,000 tonnes, while the present production capacity of the Scottish refineries totals 250,000 tonnes.

Tate and Lyle has already reduced refining capacity, mainly at Liverpool.

The hoped-for decline in EEC imports has not materialised. Instead, they have risen to over 200,000 tonnes annually. At the same time, the depressed world sugar market has meant heavy losses on exports, which have fallen from over 200,000 tonnes in 1976 to 55,000 tonnes this year. The company expects to lose £1.5m on exports this year alone, even at the reduced level.

RAC attacks rail-only Channel tunnel

THE ROYAL Automobile Club has told Mr. Norman Fowler, the Transport Minister, that it opposes latest plans for a rail-only Channel tunnel without facilities for moving road vehicles by train.

Mr. Jack Williams, chairman of the RAC's policy committee, has written to the Minister calling for consultation with road transport interests about the plan.

"A rail-only tunnel on the basis now proposed by British Rail will not benefit those motorists who take their cars abroad and neither will it help commercial road transport.

"It could prove to be the most expensive white elephant ever built, for the viability of the project would rely entirely on firms' switching their freight from road to rail, and passengers' travelling by rail instead of by road."

Avon plans £1m expansion for polymer factories

AVON INDUSTRIAL Polymers, part of Avon Rubber, is to expand its plants, at a cost of £1m because of a rapid growth in domestic and export business.

The company will increase production at its Melksham and Chippenham factories in Wiltshire, and nearly double the size of its newly-opened Chippenham factory.

Mr. Brian Stacey, managing director, said: "During the past three years the investment made by the Avon rubber group in non-tyre activities has enabled us to accelerate our growth.

"We see a strong and continuing demand for our various specialised product groups in the UK, Europe, North America and Japan.

"We now have the most modern facilities of their type in Europe and we are convinced that there is a very exciting long-term future for our business."

The main reasons for expansion, Avon states, are increases in demand for golf grips, milking machine components, plain paper copier rollers and new contracts from UK and European car builders for Avon's seals—mainly for windscreens.

Women's work scheme expanded

THE Wider Opportunities for Women scheme—so far available in Birmingham and Cardiff—will be extended in the autumn to Bath, Coventry, Harrow, Hendon, Leeds, Oxford, Newcastle, Stockton and Billingham.

The scheme re-trains women in skilled trades.

A Manpower Services Commission report published yesterday says the pilot courses in Birmingham and Cardiff, helped women readjust to the working world.

1,000 more garages may close

By Our Energy Correspondent

A FURTHER 1,000 petrol stations could close this year in addition to the 1,400 which ceased trading in 1978, the Motor Agents' Association has warned.

The association has told the Department of Energy that closures might be caused by the way oil companies allocate supplies. Smaller and medium sized filling stations are losing out on deliveries because allocations are based on last year's sales.

However, during 1978 the oil industry was engaged in a price-cutting war and the larger filling stations were receiving subsidies from oil companies in order to maintain sales.

The association is taking up complaints with the Department, which is to investigate the procedure for allocations.

"Many members feel they are being unfairly treated by their oil company suppliers," said Mr. Bob Pearson, the association's director of petrol services.

Store freehold sold for £17m in leasing deal

By Andrew Taylor

RAYBECK, the fashion retailer and manufacturer, has agreed to sell the freehold of its Bourne and Hollingsworth store in Oxford Street to Equitable Life Assurance Company for £17m.

Equitable Life (which has acted in association with Scottish Amicable Life Assurance) will lease the store back to Raybeck at an annual rent of £900,000.

Mr. A. Simons, Raybeck's deputy chairman, said the rental was about half the current market rate for the store.

The lease is to run for an initial period of 35 years but with a maximum possible life of 200 years. Rent, to be reviewed every five years, will be kept at half the current market rental over the period of the initial lease.

Involvement

Although it will no longer own the freehold, Raybeck will retain its freehold rights for half the store ensuring involvement in future development decisions.

Mr. Simon said that after taking into account overdrafts and borrowings raised to meet Raybeck's £12m acquisition deal of the store group last year, the group will be left with around £11m from the sale and lease-back.

He said the group would now look around for new investment opportunities.

Raybeck last September acquired the leasehold of the Oxford Street store as part of its £11.3m takeover of Bourne and Hollingsworth. The group subsequently paid another £750,000 to buy the freehold. Mr. Simon said that the store was now worth around £30m.

Parliamentary system 'hamstrung'

Financial Times Reporter

BRITISH INDUSTRY is hamstrung by a Parliamentary system which is unequipped to take major policy decisions, says Sir Richard Marsh, chairman of the Newspapers Publishers' Association.

Politicians are unable to look at commercial issues "in a rational and numerate way," he says in the latest edition of the business magazine Industrial Management.

He claims that the structure of Parliament has remained relatively unchanged over the past 250 years and is not geared to the type of managerial decision-making process required today.

"What we have are 635 people from different backgrounds having a sort of chat four days a week and a Cabinet which is not much better. The whole thing is totally ineffectual."

As a result, he claims, Parliament is becoming less relevant in industrial matters and the National Economic Development Council probably carries more influence over prices and incomes than the House of Commons—"and rightly so."

Home buyers seek advice

MORE THAN 100 callers a day are seeking home buying advice at the Greater London Council's home ownership office in Covent Garden, which gives details of homes for sale, home loans and the GLC's homesteading scheme.

The office was opened three weeks ago by Mr. John Stanley, Housing Minister. More than 1,500 people have visited, seeking help and guidance.

Mr. George Tremlett, leader of the GLC Housing Policy Committee, said the response from potential home buyers showed what a positive role the office could play.

Merseyside 300-acre dockland site will be let to council

BY ANDREW TAYLOR

MERSEY DOCK and Harbour Company has decided after all to go ahead with its plan to let 300 acres of former dockland to Merseyside County Council.

Last month Sir Arthur Peterson, Mersey Dock's chairman, told shareholders that other options for the disposal of the South Dock site were to be considered.

This followed the Government's decision to scrap the Community Land Act under which the council would have been able to compulsorily acquire the site if a lease had been refused by Mersey Dock. However the company has now decided to go ahead with the letting at an annual rental thought to be between £300,000 and £400,000.

The council is expected to approve the terms of the lease, to run for 150 years, at its August 7 meeting. The council will also have the right to acquire the freehold after January, 1995 — or earlier if the company so requires.

Around 100 commercial and industrial firms already operate within the area which contains some 3.5m square feet of buildings. A council spokesman said that encouragement will be given to the retention and growth of existing firms and employment in the South Dock.

A number of redevelopment schemes are also being considered. These include a trade centre and office complex at Canning Dock and a leisure centre and hypermarket.

The council also proposes to develop a maritime museum on the riverfront at Canning Dock.

The deal is significant for Mersey Dock which in 1995 faces its first interest bill payable on loan stock issued after the company almost went bust in 1970. It was only rescued after a capital reconstruction involving a 60 per cent write-down of capital and the issuing of loan stock carrying a 10 per cent coupon.

The injection of cash from the the letting comes after the company incurred a £1.47m pre-tax loss last year after redundancy payments of £2.7m.

Company law to move closer to EEC rules

BY CHRISTINE MOIR

COMPANY LAW will be brought closer to EEC practice next month with the publication, promised by the Government, of a consultative document covering proposed changes in accounting principles and disclosure regulations.

In particular it will outline the relaxation of disclosure rules for "proprietary" companies: small companies managed and owned by the same people. Details of these changes were omitted from the Companies Bill, which will have its second reading in the House immediately after the Parliamentary recess.

At its first reading, Lord Trenchard, Minister of State for Industry, said that the omission because the Government wanted to include that element in the consultative paper.

The timing of the paper means that the next Companies Bill, which will implement the EEC's Fourth Directive, is likely to come before the House in autumn next year rather than spring.

The Fourth Directive is the chief instrument for harmonising rules for formation and supervision of companies throughout Europe.

It includes provisions for several tiers of companies, the lowest of which would be proprietary companies. They would be required to provide less information in their accounts than large public companies and would face less stringent auditing.

Radical shift vital for Labour—Benn

BY PHILIP RAWSTORNE

THE LABOUR Party should fight the next general election on a radical, socialist programme along the lines that brought it an overwhelming victory in 1945, Mr. Anthony Wedgwood Benn said yesterday.

This was the aim of the party reforms for which he was now pressing.

"I am a mainstream member of the Labour Party . . . I want to see another '45 next time. I want workmanlike, democratic reforms to enable us to deal with the period of chaos that will follow this Tory Government."

Mr. Benn, who was speaking in a BBC radio interview, said there was a general feeling in the party that the next Labour Government should reflect more precisely the aspirations of its rank-and-file.

There was no split in the party, he added. "We are one party . . . but there is a very important discussion going on."

On Saturday, Mr. Benn made another forceful contribution to the increasingly bitter debate by repeating his attack on the powers of the Labour leader.

Such powers should be exercised by democratic processes and not by one person, he told the Young Socialists conference at Coleford, Gloucestershire.

The party's national executive believed that the time had come to end patronage within the Labour movement and end the right of veto of any one person or group over the manifesto.

Labour moderates responded with a call at the weekend to the trade unions and party members to fight the "lunacy of the Left."

The Campaign for Labour Victory group said that the Left-dominated national executive was disrupting the party and driving away middle-of-the-road voters.

The Benn reform proposals were a cynical attempt to gain control of the party for the Left-wing.

Home Bill to extend improvement grants

BY MICHAEL CASSELL

ENCOURAGEMENT TO improve houses is to be included in the Government's proposed Housing Bill.

Ministers at the Department of the Environment are keen to see improved access to grants for anyone living in bad housing, whether they are in the private or public sectors, owner-occupiers or landlords.

The Government estimates that a sixth of homes in England is unfit or lacks basic amenities or is in bad disrepair. More than a million homes still lack an inside lavatory and 800,000 houses have no bathroom.

The Bill, to become law by next summer, will aim to improve the standard of homes nationally and start by making improvement grants available to public and private-sector tenants equally with owner-occupiers.

Policy changes to relax the present, tightly structured grant system will include scrapping the five-year clause, which can mean that an owner-occupier has to repay any grant if he sells within five years.

Ministers hope that local authorities administering grants will bear that in mind when handling cases that arise before the Bill becomes law.

Tenants will also be allowed to decorate outside as well as inside. Local authorities will also have a statutory obligation to consult tenants on decisions closely affecting their homes.

The Department of the Environment is studying the potential for an effective computer-based national exchange and transfer system enabling tenants to move about the country while protecting their tenancy qualifications.

● An inquiry has been ordered into the sale of council houses at Peterborough following allegations that a number of houses had been sold at prices well below their market value.

State cuts justified, says Prior

By Philip Rawstorne

THE GOVERNMENT's cuts in the planned levels of public spending were vigorously defended by Mr. James Prior, the Employment Secretary, at the weekend.

The world economic outlook had reinforced the need for a new approach, he said in an open letter to his constituency party, Lowestoft.

"As a nation we simply cannot afford to carry on as we have done in the past."

Growth in the economy in the near future would at best be nil and there was a strong possibility of decline. Provisional figures indicated a £3bn balance of payments deficit in the first six months of the year.

The country's manufacturing base was narrowing and more and more goods were being imported, said Mr. Prior.

Against that background no responsible Government could conceivably afford to spend at the levels planned by the Labour Government.

The choice facing the Cabinet had been plain, either to go ahead with Labour's plans and "take money from everybody to pay for them," or scrap the "spendthrift" plans and ease the burden on the productive side of the economy.

"No Government takes such decisions lightly. Every Minister is aware of the difficulties that people will have to face, even when it is the planned growth in Government spending programmes which will be reduced.

"But the truth is that extra spending on services can only come when the country has created the extra wealth to pay for it."

Two reviews expect sterling to decline

BY PETER RIDDELL

STERLING WILL weaken over the next 12 months say two leading foreign exchange market commentators in new reviews.

The latest edition of Exchange Rate Outlook (produced by two London Business School economists with money brokers Charles Fulton and the Gower Press) argues that the increase in sterling is now on a par with the rapid rise of the Deutschemark in 1973 and of the Yen in 1973 and 1978. On both occasions there was a rapid reversal.

The outlook says sterling's competitiveness is now 24 per cent above its underlying trend, while relative money supply growth is 14 per cent above the underlying trend.

Past projections have been for an exchange rate significantly lower than has been recorded. The latest outlook says the deflationary consequences of the Budget and a tighter monetary policy have led to a forecast of an increase. A depreciation of over a tenth in the trade-weighted index is still forecast by mid-1980.

The latest edition of Currency Profile—jointly produced by the Henley Centre for Forecasting and bankers Manufacturers Hanover—says that there is a good case for a fall in sterling from current high levels later in the year.

"If oil uncertainties continue and keep the pound high for long periods then the resultant adjustment in 1980 or 1981 could be both dramatic and damaging."

Currency Profiles argues that the dollar has entered a period of weakness which may only be countered by positive official action and improvements on inflation and external trade.

The Exchange Rate Outlook argues that "on fundamentals the dollar is above its appropriate level which does not yet reflect the excess of world dollar holdings. But recession in the U.S. will be greater than elsewhere, and this will provide future stability for the currency."

Building society backs grants

THE ABBEY NATIONAL Building Society has set aside £100,000 this year to lend to individual owners in Manchester's Acres Road, Chorlton-cum-Hardy, general improvement area.

Since the improvement area was declared, demand for grants from householders has been considerable. The building society will consider loans to owners to cover their share of the cost of improvements not allowed for in the grant. Loans will also be available to buy houses in the area.

Insurance union in merger

BY ALAN PIKE, LABOUR CORRESPONDENT

MEMBERS of the 2,500-strong Phoenix Staff Union have voted seven-to-one to amalgamate with the Banking, Insurance and Finance Union.

Voting was 1,698 in favour to 251 against, a majority of 1,447. The merger will take place by a transfer of engagements under the Trade Union (Amalgamations) Act.

The Phoenix Staff Union represents most staff in the Phoenix Assurance Company. It has been the sole negotiating body within the company since 1971.

Last year the 5,500-strong Guardian Royal Exchange Staff Union merged with the BIFU, formerly the National Union of Bank Employees. The new amalgamation will encourage the union to seek further strengthening of its position in competitive finance.

A statement from the union yesterday said that a high percentage of insurance staff belonged to no union, while a number of insurance staff associations were contemplating their future development.

The union intended to open merger discussions with those associations to consolidate its position as "the most appropriate union for insurance staff."

Mr. Lief Mills, general secretary, commented: "We are delighted that the members of the Phoenix Staff Union have voted by such an overwhelming majority to merge with BIFU.

"The result not only confirms BIFU as the union for insurance staffs but also demonstrates that non-political, responsible trade unionism is attractive to staff in the finance industry."

Post Office strikers attack 18% offer

SIX HUNDRED Post Office computer strikers, who have stopped telephone bills going out for more than three months, came out yesterday against an 18 per cent pay offer on which peace hopes rest. They threatened to continue unofficial action.

The Post Office and data processing branch of the Society of Civil and Public Servants voted by 625 to 67 to censure union leaders for recommending the offer.

About 45,000 Post Office members of the SCPS and Civil and Public Service Association are being balloted on the offer, which involves staged payments, productivity bonuses, and a new pay structure. The SCPS data processing branch said it was campaigning for rejection. Voting is expected to take a fortnight.

Computer branch members claimed the offer would not match the pay levels of Post Office engineers, nor increases of up to 24 per cent won by Civil Service computer staff.

They added that if it was accepted, the value of the phone bill backlog would be more than £900m, and the task of clearing it would be so complex that it would continue to rise for at least a month.

Even with full union co-operation, telephone bills would not get back to normal until July 1980, they claimed.

Oil companies take more men off strike-hit rigs

BIG OIL companies continued to move men ashore at the weekend as the North Sea catering workers' dispute affected more rigs and platforms.

About 20 offshore installations are affected but operators said yesterday that production had not been reduced.

BP has moved 500 non-essential maintenance and construction workers from the giant Forties Field, but the normal production crew remained on the company's four platforms.

Production was at peak, BP said: "The dispute has put us to some discomfort by moving people off and it has disrupted non-essential construction work but that is the extent of the effect."

Shell, which has reduced manning on half its North Sea installations, said that production had not been reduced on Brent B and Dunlin, platforms affected by the strike. Brent A and D and Auk remained unaffected.

Personnel departments of big oil companies are expected to meet in Aberdeen today to discuss the strike, but BP said: "It is a contractors' dispute. We are not interfering but are keeping it under review."

Radio praised by Aims

THE BBC Radio 4 Today programme has been given two awards by Aims, the private enterprise organisation, after an analysis of a month's output.

It is given a best programme award for its presentation of public issues. But it also receives a little wooden microphone for poor balance, which resulted from a preponderance of trade union speakers, Aims announces today.

Last month there were 13 trade union speakers on the Today programme, seven representatives of free enterprise, and three from the nationalised industries, Aims says. There were no representatives of employers' organisations, apart from one speaker from the Confederation of British Industry.

MP urges extra aid for forestry

A TORY MP is seeking extra help for expansion of the forestry industry as Britain is one of the least forested countries in the Common Market.

Mr. Russell Fairgrieve (Aberdeenshire, W.) said the country depended on imported timber yet the main suppliers—Russia and Scandinavia—had a growing rate only half as good as Scotland's.

In a pamphlet published by the Conservative Political Centre, he called for bigger grants and/or a funding system that would give farmers advances on income from forests.

GEC strike for more pay

PRODUCTION in all eleven divisions of the GEC works at Stafford will be affected today by a strike involving 2,000 hourly-paid workers.

They want a 20 per cent pay increase and decided at a mass meeting to take the strike action after rejecting the company's latest offer.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Musical Instrument Trade Fair (01-428 4700) (until August 1)	Olympia
Current	International Gifts Fair (01-855 9201) (until Aug. 2)	Olympia
July 31—Aug. 4	Tyneside Summer Exhibition (0632 28520)	Newcastle upon Tyne
Aug. 5—8	British Furniture Manufactrs. Exbn. (01-724 0851)	Manchester
Aug. 17—19	Custom Car Show (08833 4371)	Bristol Exbn. Centre
Aug. 19—23	International Craft and Hobby Fair (04252 72711)	Wembley Conference Centre
Aug. 21—23	Education and Communication Technology Exhibition (01-722 4139)	Holland Park School
Aug. 25—Sept. 1	International Motor Cycle Show (01-741 2156)	Earls Court
Sept. 3—7	International Music Publishing and Recording Industry Show—INTERPOP (01-486 0059)	Connaught Rooms, London
Sept. 3—7	Offshore Europe Exhibition and Conference (01-549 5831)	Aberdeen
Sept. 4—6	Point-of-Sale Exhibition (01-340 3291)	West Centre Hotel, London
Sept. 4—7	International Carpet Fair (021-705 6707)	Harrogate
Sept. 4—7	International Inplant Printing Show—REPRO WORKSHOP (01-647 1001)	Wembley Conference Centre
Sept. 11—13	Electronics Show (08833 4371)	Bristol Exhibition Centre
Sept. 16—19	MAB '79—International Menswear Fair (01-839 5041)	Earls Court
Sept. 17—20	Filtech/Dustex '79—2nd World Filtration Exhibition (01-236 0911)	Olympia
Sept. 18—21	Firetech '79 International Fire Protection and Control Exhibition (01 637 2400)	Brighton Exhibition Centre
Sept. 24—26	Weightech '79 (01-686 5741)	Metropole Exbn. Centre, Brighton

The International Hardware Trades Fair is to be held at Olympia from September 7—12, 1980, not this year as listed last week.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Aug. 7—11	Horse Show (Dublin 680645)	Dublin
Aug. 9—10	Computer Exhibition (01-930 7955)	Hong Kong
Aug. 11—19	Austrian Timber Fair (01-584 6938)	Klagenfurt
Aug. 13—16	National Hardware Show	Chicago
Aug. 13—17	ENVIRO '79—The International Environmental and Engineering Exhibition	Singapore
Aug. 17—26	International Trade Fair (01-486 1951)	Malmo
Aug. 20—Sept. 20	International Fair	Izmir
Aug. 20—24	International Packaging and Food Processing Exhibition—PAKPROCESS (01-486 1951)	Johannesburg
Aug. 24—Sept. 2	International Radio and TV Exbn. (01-540 1101)	Berlin
Aug. 26—27	Zuspa: International Shoe Samples Fair	Frankfurt
Aug. 26—29	International Fair (01-734 0543)	Johannesburg
Aug. 26—29	International Fair (01-734 0543)	Frankfurt
Aug. 27—30	Pharmaceutical and Chemist Supplies Exhibition (01-486 1951)	Utrecht
Aug. 28—31	Electrical and Electronics Components Exhibition	Gothenburg
Aug. 29—Sept. 12	Timber and Woodworking Industry Exhibition	Moscow
Aug. 31—Sept. 9	International Fair of Consumer Goods (01-874 6834)	Stockholm
Sept. 3—10	International Trade Fair	Plovdiv
Sept. 6—21	International Fair of Algiers	Algiers
Sept. 8—11	Technical Trade Expo (01-242 4784)	Cairo
Sept. 8—11	International Leather Week (01-439 3964)	Paris
Sept. 8—16	International Autumn Fair (01-584 6938)	Vienna
Sept. 12—20	International Engineering Fair (01-278 0281)	Brno
Sept. 13—16	International DIY Trade Fair (01-236 0911)	Essen
Sept. 17—21	Systems '79 International Exhibition of Computers and Peripheral Equipment (01-486 1951)	Munich
Sept. 22—26	Industrial Equipment and Material Exhibition—INDEQUEX	Hong Kong

BUSINESS AND MANAGEMENT CONFERENCES

Current	Oyez-IBC: International Conference on Cohesive Sediments (01-242 2481) (until Aug. 1)	Churchill College, Cambridge
Current	Compower: Basic Trainee Programming Course (Cannock 2511) (until Aug. 17)	Cannock, Staffs.
July 31	British Safety Council: Product Liability—Let the Seller Beware (01-741 3812)	Hilton Hotel, W1
Aug. 1—2	MSS Computer and Business Consultancy: The Executive Secretary (Worthing 34755)	Worthing
Sept. 3—7	Brunel Management Prog: Production Management and Human Behaviour (Uxbridge 56461)	Brunel University
Sept. 6—7	MSS: Management Skills for Women (Lincoln 38529)	Lincoln
Sept. 10—12	EMS: The Japanese Approach to Product Quality Management (High Wycombe 33171)	Institute of Directors, Pall Mall
Sept. 11—12	Freight Information Services: Practical Marketing for Road Hauliers (Southport 38516)	Southport
Sept. 11—12	ASUAG: International Chronometry Congress (01-387 0116)	Geneva
Sept. 12—13	Financial Times: Korea in the 1980s (01-236 4382)	Seoul
Sept. 13—15	International Newspaper Promotion Association: 9th European Conference	Munich
Sept. 13—14	Society of Chemical Industry: Marine Corrosion on Offshore Structures	University of Aberdeen
Sept. 14	CILA: Educational Conference (01-240 1496)	Royal Lancaster Hotel, W2
Sept. 14	MSS Computer and Business Consultancy: Effective Budgeting and Financial Planning (Worthing 34755)	London
Sept. 16—21	Brunel Management: Experimental Methods in Management Training (Uxbridge 56461)	Brunel University
Sept. 17—21	Lamsac: Job Evaluation (01-828 2333)	Buckingham Gate, SW1
Sept. 18	The City of Westminster Chamber of Commerce: Security and Survival in an Age of Violence (01-734 2851)	H.M.S. Belfast

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY, JULY 30

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

TOMORROW, JULY 31

COMPANY MEETINGS—

[illegible]

WEDNESDAY, AUGUST 1

COMPANY MEETINGS—

[illegible]

THURSDAY, AUGUST 2

[illegible]

FRIDAY, AUGUST 3

[illegible]

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MACHINE TOOLS

Designed for small batch shaft work

THE Multi-Turn MC300C turning machine just introduced by The Drummond Division of Staveley Machine Tools is stated to be intended specifically for economic application on small batch shaft or chucking work up to 300 mm diameter by 1500 mm long.

The need for tool changes says the company, will occur in *only exceptional circumstances* and job change-over normally involves merely running a magnetic *tape cassette to load* a fresh programme into the system memory.

The control *system is micro*-processor based. Programming may be carried out by keyboard either at the machine console or via a separate remote unit, and the prepared programme is *recorded* on magnetic tape cassette. A plug-in record/read head is provided.

There are full editing facilities which enable any programme subsequently reloaded *into the memory to be modified* either temporarily or permanently.

The machine can be equipped with Drummond's patented Dual Driver system for shaft *work, which enables* a component to be machined over its entire length at one loading *without* the need for any end-to-end reversal and second operation.

A special workdriver set into the chuck can be actuated at the appropriate points in a cycle in *conjunction with the tailstock* so that the workpiece is moved to the right, clear of the chuck jaws. This *movement* can take place twice if required, to true up the end prior to it being gripped by the chuck for the heavy cutting sequence, then again for finishing this end of the work.

● COMPONENTS

Dunlop brake pad move

DRAWING ON expertise gained in the aviation field, Dunlop is entering the motorcycle brake pad market. The new sintered pads, a major step forward in disc brake technology, will initially be sold within the UK, but Dunlop has its eye on the world-wide replacement pad market and is also involved in talks with the large Japanese manufacturers.

Since the introduction of disc brakes on motorcycles their performance in the wet has been a growing cause for concern. Ever watchful of rising accident figures it was the government's Transport and Road Research Laboratory that prompted Dunlop's research work. The new pads produce virtually the same characteristics in the wet as they do in the dry.

During the development programme regular contact with the Japanese was maintained, particularly with Kawasaki. Now strong pressure is coming from this quarter for Dunlop to take its work a stage further.

Dunlop's aim is to eventually produce a total brake management system. To this end the TRRL is putting up £200,000 for work into anti-lock devices.

With 1.4m two-wheelers on the road in the UK, and sales rising rapidly, this in itself represents a healthy market for replacement pads. When expanded world-wide and if the Japanese were to use Dunlop systems on new machines the potential for the company to take off in this field could be considerable.

ALAN WRAIGHT

Pinpoints the weight

FURTHER weighing cells and force transducers from Hottinger Baldwin Messtechnik, Stonefield Way, Ruislip, Middlesex HA4 0JT (01-841 5121), are for measuring static and dynamic compressive loads from less than 1 tonne to 500 tonnes.

In the C1 range for example there are 13 models for nominal loads from one to 500 tonnes, each in the *0.1 accuracy class*. The C3 range covers seven models with nominal load ratings from 50 to 500 tonnes and all are in the accuracy class 0.05, making them precision grade transducers. Top of the series in accuracy (class 0.03) is the C3H range which includes nine transducers for nominal loads from one to 100 tonnes.

All transducers in the series are supplied calibrated either in *units of weight (kg) if they are* to be used as weighing cells, or in units of force (newtons) *when they are to be used* as force transducers.

The strain-gauge measuring *elements are inside* a sealed housing providing protection to DIN and IEC standards.

Signals low pressures

NEWLY AVAILABLE from Foxboro is a low range electronic differential pressure transducer, 834 DP, which can provide signals representing low differential or static pressures, air flow and draught measurement in the power, pulp/paper, cement, glass and several other industries.

A resonant wire technique is used to give good accuracy and long term stability at widely different ambient temperatures.

The two wire *transmitter*, with dc power supplied over the signal lines can be used in both ordinary and *hazardous* locations. An optional internal power supply can be provided for *replacement of obsolete* four wire transmitters which require separate ac power.

More from Foxboro-Yoxall, Redhill, Surrey, RH1 2HL (0737 6500).

● SAFETY

Fresh air in the vaults

FOR MOST people, being locked into a sealed, airless, sound proof bank vault will remain a fiction only to be seen in a television crime production.

But for some bank staff it is a danger to be lived with and has prompted Chubb to develop a life-saving unit which will provide the two main needs of people so trapped—air that is breathable and communication with the outside world.

The equipment is about the size of a four-drawer filing cabinet and will ensure that if a substantial number of people are trapped in a fairy small vault no tragedy will occur due to oxygen starvation and carbon dioxide build-up. The system is fully automatic so that no action has to be taken by the trapped occupants. In addition, the unit provides self-contained illumination.

An air sampler measures the carbon dioxide content every *three minutes: if the figure* rises above 2 per cent, the air system switches on automatically and the *vault air is immediately* circulated through an absorbtion unit which removes the carbon dioxide.

At the same time oxygen is fed into the air to compensate for that lost by conversion to carbon dioxide and to maintain a constant internal pressure. Circulation continues until the carbon dioxide content has dropped below 0.5 per cent, and will re-start whenever it exceeds two per cent. This is well below the limit at which the physical condition of the occupants will be affected.

The *system* is vastly superior to breathing tube arrangements, claims Chubb. These provide no illumination and may well not be able to draw in enough air to support a number of people. From the security point of view, such systems also present a serious risk in terms of attacks against the vault using explosives.

In the Chubb unit, which requires no external services, the oxygen content is kept to within 18 to 20 per cent and has been designed with a 100 man-hour capacity.

Activation is by means of a single permanently illuminated switch. Once activated the unit provides background illumination in its immediate vicinity. A facility for voice communication and the sounding of external alarms can be provided.

Power is provided from long life batteries and low voltages are used throughout, avoiding fire and shock risks. Only periodic service checks are required *but there* is also an automatic "need for servicing" indication to ensure that the equipment is kept in optimum condition.

More from Chubb and Sons Lock and Safe Company, Tottenham Street, London W1P 0AA (01-637 2377).

● DRAINAGE

Making sure of the ground

PROBLEMS CONCERNING difficult ground conditions on the site of a trial railway embankment *for British Rail* main line diversion at Selby have finally been overcome by Cementation Ground Engineering after the withdrawal of two other contractors.

New embankment is to carry the tracks for the main line diversion caused by the development of the new Selby mining complex and, as it is to be situated on soft ground, significant settlements are expected during and after construction.

Successful installation of the trial 15-metre deep vertical drainage system required the *penetration of a dense sand* layer at a depth of about seven metres and the original *contractor had severe problems* in penetrating the ground and subsequently withdrew from the *site. A second contractor also* declined, because of the difficult driving conditions.

Cementation was then asked to instal its Sandwick drains, using the company's high frequency vibrator and the required trial area was completed within a few days.

Main contractor for BR, A. Monk and Co., will now construct trial embankments on *treated and untreated areas* which will be monitored over a consolidation period.

Cementation Mining (a sister company of Cementation Ground Engineering) is currently *involved in driving two parellel* drifts at Gascoigne Wood.

● INSTRUMENTS

Inspection from the inside

A PANORAMIC tube head for use with its mobile radiographic unit has been introduced by Andrew NTD Products (UK), 12, Trafalgar Way, Bar Hill, Cambridge, CB3 8SQ. (0954 81616.)

These units employ compact, oil-insulated, ceramic tube heads which can be passed through openings as small as 100 mm diameter enabling radiography to be carried out in confined spaces. The new panoramic tube head will augment an existing range of directional heads and greatly increase the versatility of the unit by permitting one-shot inspection of tubular components.

Andrex constant potential X-ray units are widely used in the aircraft industry for critical inspection procedures on *very thin sections or* low-density material and in the nuclear industries for the *inspection of pipework. A closed* circuit, water-cooled anode enables the equipment to be *continuously used at maximum* rating in such applications as factory-based production control *systems used in the motor-tyre* industry.

Checks fire appliances

THE LEVEL of liquid Halon fire suppressant in storage containers can be checked *accurately and quickly using* a portable device called Cali 1000 from Chemetron, 14, *David Road, Colnbrook, Slough SL3* 0BH (02812 5141).

There is no need to remove the containers from their storage racks. Instead, a transducer probe is used like a stethoscope on the exterior of the cylinder to determine the position of the liquid surface to within ½ inch. Then, simple charts and temperature correction factors are applied enabling the exact weight of the Halon lost from the unit to be found to an accuracy of 1 per cent.

Gas check widened

AS WELL as giving monitoring protection against hydrogen sulphide and oxygen deficiency, the Otox 80 instrument made by Neotronics now has the extended ability to monitor carbon monoxide.

It will have particular application wherever build-up of the gas is a positive risk including boiler houses, chemical plant, car test facilities, metal heat treatment areas and steel works.

A detector card (costing about 25 pence) is inserted which will monitor for up to eight hours; it carries a reagent selective to carbon monoxide which is inspected by an opto-electronic system. A time weighted response is produced, roughly matching the way in which the body reacts to toxics.

The instrument's response time at the threshold value of 50ppm is 15 minutes, while at the short term exposure limit, 400 ppm, this is reduced to three minutes. At high concentrations the alarm will be given in 30 seconds. A high pitched warbling sound is emitted, with a visual indication.

More from the company at *Parsonage Road, Bishop's Stortford*. Herts. CM22 6PU (02279 870182).

Portable recorder

A ROBUSTLY encased battery-powered high-speed two-channel recorder weighing 22 lb, ideal for field work in science, medicine and industry is offered by Russet Instruments, Sheen Park, Richmond, Surrey TW9 1UN (01-940 9981).

High accuracy feedback galvanometer writing technique is *used and 13 sensitivity levels* are available from one millivolt to ten volts per millimetre. A *heated stylus is employed with* low cost thermal recording paper. The trace for either *channel can be placed anywhere* across the 50mm width of the paper.

Four fixed chart speeds of 1, 5, 25, and 100 mm/sec are provided, and there is also an *uncalibrated variable speed control*.

Gel batteries are provided yielding about four *hours' running* time before re-charging, and the recorder can be used while charging is in progress.

Other facilities include a precision internal calibration source, variable gain control for each galvo and an event marker.

The unit, which is known as *Dash-2*, can also be operated from the mains.

● HANDLING

Moves the goods at low cost

RIGHT-ANGLE powered-roller corner unit, allowing packages to be transferred under power within the width of both conveyors, has just been added to the equipment range of P and R Mechanical Handling, Penyrheol Works, Caerphilly, Mid Glam (0222 885505).

By using the same drive as the supplying roller conveyor, says the company, the cost is kept very low, as neither starter motor nor gearbox are required.

Under these circumstances, a typical price is under £200—a saving of 75 per cent it claims.

● PACKAGING

Printer's extra scope

WIDER WIDTH paper sacks, and board cartons up to 129.5 cm wide and 18 mm *thick* in unlimited lengths can be handled by the new Mk III *Lawco overprint machine now* available on the home market, announces Lawtons of Liver*pool, 60 Vauxhall Road*, Liverpool L69 (051 227 1212).

Print area on this model is increased to 63.5 cm in length by 76 cm width. This extra width is obtained by either fitting one cylinder with *that size* print area or, alternatively, fitting two adjacent cylinders with respective print *heads of* 50.8 cm and 25.4 cm widths.

● MATERIALS

Wrapping of food products

STATING THAT it has been led to make the move because of significant increases in polythene prices, Wycombe Marsh Paper Mills has developed a new glazed imitation parchment paper suitable for wax coating to produce bread wrapping and confectionery packaging.

Available in a range of lightweight substances from 30 gsm upwards, the paper's characteristics include a smooth surface to ensure the even take-up of wax or similar impregnants and *avoid the mottled final* appearance characteristic of some products. Waxed opacity is main*tained through the addition of* high purity loadings which can be varied to suit manufacturers' *specifications for a range of* differing types of food packaging or wrapping.

Further details may be obtained from Wycombe Marsh Paper Mills, High Wycombe, Bucks, HP11 1ES (High Wycombe 33400).

Building and Civil Engineering

£25m Laing awards in Spain and UK

TWO COMPANIES in the John Laing group have won contracts worth a total of £25m.

In Spain, Laing SA has been awarded three contracts, together worth £16m to remodel a hospital and renovate and improve two others for the Spanish Department of Social Security.

The largest contract involves remodelling the hospital at Badajoz on Spain's border with Portugal. The structure of this hospital was built by Laing SA in 1976 for the provincial authority, but before further work was carried out it was seconded to the Department of Social Security and the design was considerably modified.

The resulting £11.8m contract awarded to Laing SA will mean some demolition and more structural work and when completed in 1981 the new hospital will be much larger than originally envisaged with 600 beds and a total floor area of 88,000 sq ft compared to a previous floor area of 41,000 sq ft.

The second contract, valued at £4.3m, will involve renovating and extending the hospital in Alicante, on the east coast of Levante, which was built about 30 years ago. The hospital will continue to function while Laing SA are on site.

The third contract is for a small amount of demolition, construction of partitions and an extension at the Nino Jesus Hospital in Madrid.

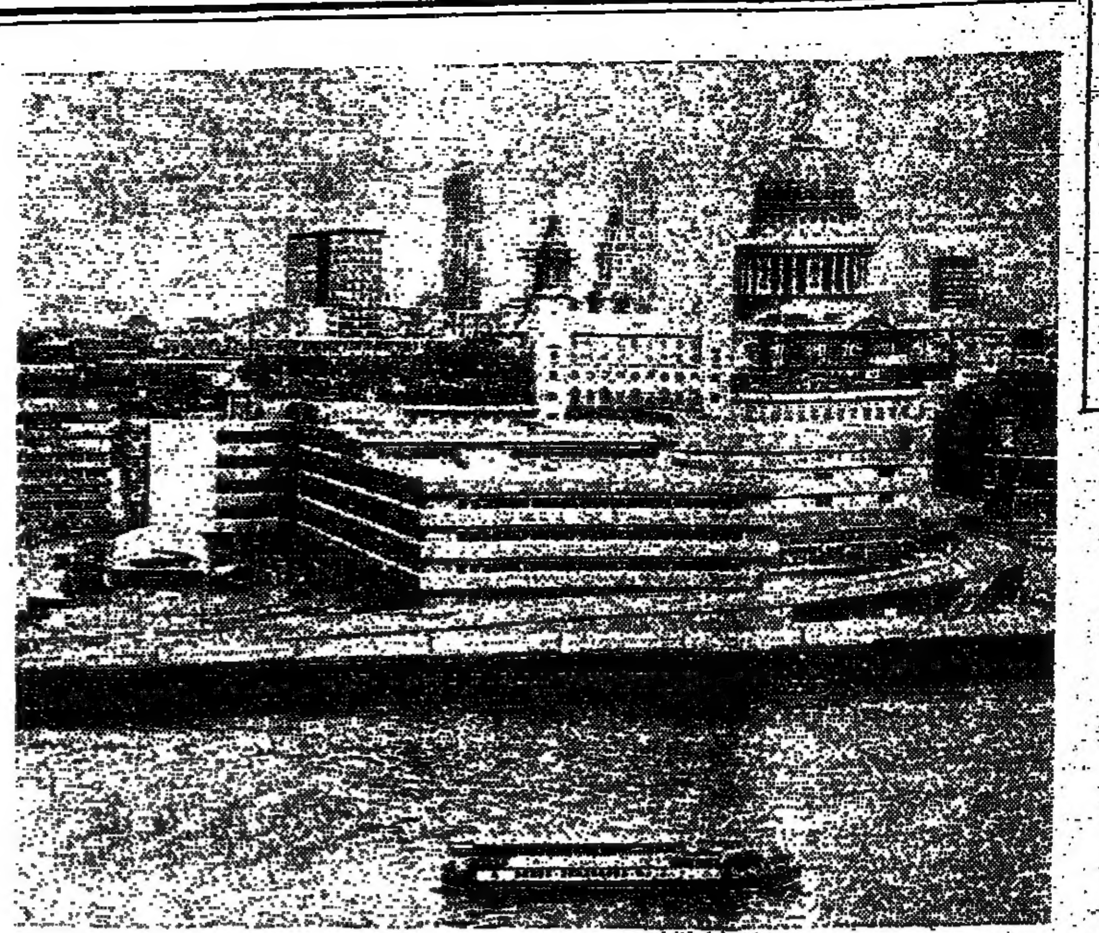
In the UK, Laing is to build a materials distribution centre for IBM at its plant in Greenock, Inverclyde, under a contract worth about £9m. This will provide a further 266,000 sq ft of working space and will include construction of a single-storey receiving dock and distribution area with three tier conveyors.

In one direction conveyors will connect with a new two-storey support building, with a lower floor partly in excavated ground, and providing a combined floor area of about 145,000 sq ft. Projecting from this will be a building for which Laing will provide the concrete slab floor only, to house an automated storage and retrieval system with materials stored in pallets on racking 67 ft high.

In the other direction, the conveyors will be taken through a link building 130 feet long, which will provide access for pedestrians and fork-lift trucks between the new distribution centre and existing buildings on the site.

Construction of the new buildings will be steel frame on concrete slab foundations, with cladding of profiled metal sheeting. Other works include a vehicle marshalling area, link roads to connect with existing site roads, and some landscaping.

The contract provides for phased handovers, with overall completion due by June 1981. Designers of the scheme are Robert Matthew, Johnson-Marshall and Partners, and quantity surveyors are Harris and Porter.



An across-the-river view of Baynard House, London's big new telecommunications centre on the north side of the Thames near Blackfriars Bridge. John Laing Construction was the main contractor. Some 150 miles of cabling for electrical services was supplied by Haden Young at a cost of about £850,000.

Shepherd gets work worth £8m

IN CONTRACTS totalling about £8m, Shepherd Construction's major jobs will be undertaken in Yorkshire and the North East.

Biggest project is at Middlesbrough where the company has just started work on a £2m residential development at Gurney Street for the Orbit General Housing Association. This 82-week contract involves the construction of 142 flats arranged in three separate blocks of varying heights from two to six storeys. Associated works include car parking in open basements, access road and pavings and other external works.

In Leeds, work has begun on a development for St. Gemma's Hospice at Moortown for the Sisters of the Cross and Passion. The £1m building is to be situated in a garden to the west of the existing hospice buildings.

At Northampton is a £1m contract for Grosvenor Estate Commercial Development covering the second phase of the Northampton Grosvenor Centre. Scheme includes extensions to the existing shopping centre and the provision of loading decks, offices and services.

Other contracts include alterations and adaptations to the former Teddington Controls Factory at Cefn Coed Y Cymmer, Merthyr Tydfil (£980,000); an elderly persons' home and assessment centre at Brentry, Bristol (£600,000); a management and amenity block for the British Gas Corporation at Cramlington (£450,000); housing at Stockton-on-Tees (£520,000); offices and lettable units at Walsall (£400,000) and extensions and modernisations at the Harrogate store of F. W. Woolworth and Co. (£590,000).

£11m contracts for Monk

OVER £11m. worth of contracts have been awarded to A. Monk. At Bradwell Abbey, for the Milton Keynes Development Corporation, eight advance factories are to be built at a cost of over £4m while at Swadlincote, Derbyshire, Monk is to undertake a £4.4m project for the National Coal Board. The latter calls for a test hall and attached sub-station, instrument buildings, amenities block, boiler house and gatehouse. Other work includes drainage, landscaping and roads. This contract is under the supervision of the Mining Research and Development Establishment.

Another major contract worth nearly £2m is for earthworks in connection with a road diversion linking Billingham Bottoms and Wolverston. This will be 2 km long and extend the dual carriageway A19 trunk road.

At Stocksbridge, a £442,561 contract is for the construction of a 17.5 metres-long tunnel section for the British Steel Corporation. It will be 5 metres deep and 12.85 metres wide. Consulting engineers are White Young and Partners and quantity surveyors Turner and Townsend.

Another Milton Keynes Development Corporation award worth £172,409 is for fitting out a depot at a Stacey Bushes advance factory. At Parkeston Quay, Monk is to build a new substation, make alterations to a second and construct foundations for a third — all for the British Railways Board at a cost of £70,874.

Canadian comfort

THOSE OF US who are still reeling from the shock of having to meet last winter's fuel bills can take heart with a view of the Canadians' concept of how to live comfortably and economically in a cold climate.

They promise a reduction of heating costs by as much as two-thirds with a timber frame house that boasts the ultimate in insulation techniques.

The components are shipped from Canada by container, delivered directly to site in the UK, and include highest quality kiln dried redwood, steel webbed roof trusses, and triple glazed windows and skylights.

Offered to builders as a complete package, the homes have been developed by Viceroy Construction Company of Scarborough, Ontario, and have been adopted here by Cadillac Homes which has appointed Scotchbrooks Marketing Services to market the Heat Hugger line throughout the UK.

The first home—called the Landmark—to be built on English soil was completed in 34 days and opened last week by W. Ross De Geer, agent general in the UK for the Province of Ontario.

This Heat Hugger is, here and there, anglicised with Ibstock bricks, but predominant feature is the Canadian redwood. Apart from the timber frame, wood is the major material for floors, doors, built-in wardrobes, etc.

The special modular system allows design flexibility from a single detached unit to a three-storey townhouse . . . and windows need not just be in the walls—stylish feature of the show house at Cadillac Homes, Upper Warren Avenue, Caversham Heights, Berks, is a panel of skylights in the living room—the latter, like some of the bedrooms, has "cathedral" ceilings.

A solar garden concept can create an indoor garden or greenhouse kitchen, too, far away and above the hackneyed little-box housing estate tradition beloved by so many unimaginative British builders.

But the true beauty must lie in the money saving features: walls have six inches of fibreglass insulation; ceilings have eight inches, and there are four inches under the floor; sliding doors, windows, skylights, apart from obligatory triple glazing, have compression-type seals to eliminate draughts, exterior doors are also insulated — U values of 0.21 for walls and 0.16 for roofs are standard.

And, because the Heat Hugger concept will not pinch the British pocket too hard, it has already received the Medallion Award (Electricity Board's seal of approval and blandishment to prospective buyers in the hope that they will select homes that have been purpose built to save energy) which plaque has now been fixed to the 34-day wonder.

DEBORAH PICKERING

City office block

UNDER THE terms of a £1.5m contract just awarded to Sir Robert McAlpine and Sons, the company will build an office block in the City of London for MLP. Kent (Constructional).

Work is due to start next month on a restricted island site bounded by Creechurch Lane, Bevis Marks, Heneage Lane and Heneage Place.

The six-storey air-conditioned office block will comprise a reinforced concrete frame with granite clad external walls and bronze anodised double glazed windows.

Extensive temporary works are called for to support the highway on all sides while excavations to a depth of 4.5 metres take place.

Architect is the Comprehensive Design Group.

Whatlings wins £5m

WORK VALUED at more than £5m has been awarded to Whatlings (Building).

A major contract, worth £4m, is for a superstore and 14 shop units to be constructed on the site of a disused railway cutting in Maryhill, Glasgow, for the Co-operative Wholesale Society. This includes grouting of mine workings and pilings. Columns and beams will support a concrete deck to form car parking and base for superstructure, comprising steel frame, facing brick cladding and metal roof deck.

Construction of single storey health centre with external services and car parking at Muirside Road, Baillieston for the Greater Glasgow Health Board covers a £470,000 contract.

For Annandale and Eskdale District Council, the company will construct five blocks of 32 single and two storey houses with ancillary works, worth £400,000.

Another contract valued at £209,000 is for the erection of two new shop units contained within one four storey building in Queen Street, Glasgow, for J. Dykes, and construction of a drum store in Airdrie for the Boots Company is valued at £71,000.

New medical centre

A CONTRACT for the design, development and construction of a new medical centre at the Springfields Works, Preston, of British Nuclear Fuels has been awarded to Simonbuild of Stockport (Simon Engineering Group).

Valued at £445,000 this is the sixth contract secured by Simonbuild at Springfields over the past three years. Completion is scheduled for the end of December.

PSA work for Turriff

A CONTRACT worth £1.5m has been awarded to Turriff Corporation by the Property Services Agency for an extension to the officers' mess at the School of Electrical Engineering and Army Apprentices College, Arborfield Garrison, Berks.

Buildings include stewards' quarters, maintenance store, sports pavilion and garaging for 49 cars.

Other work for the PSA is the construction of storage facilities at an RAF establishment at Wittering, worth £½m.

Another award, for £1m, is to build an office block and adjacent factory unit at Cubbington, Warwicks, for Thwaites Engineering Factory, of open area design, is a steel-frame building clad in colour profile sheeting and the office block of reinforced concrete.

Costain starts on £3m block

CONSTRUCTION of a nine-storey office block at Broad Quay, Bristol, for The Standard Life Assurance Company is to be undertaken by Costain. Value of the contract is £3m.

The nine-storey block on driven precast concrete shell piles will be of reinforced concrete frame construction with facing brickwork.

The contract includes the installation of one goods and three passenger lifts, full air-conditioning, smoke detection and fire alarm systems and a standby electrical generator.

External works include paving, landscaping and drainage services.

Work has begun and is due for completion in December 1981. Architects are Alec French Partnership.

Awards to Fairweather

FOUR CONTRACTS awarded to H. Fairweather and Co. total over £1.3m, the largest being for the London Borough of Greenwich for the construction of ten houses and a home for the mentally ill at Lansdowne Lane, Charlton, worth £640,000.

New link block and refurbishment of existing wards at the Central Middlesex Hospital for the Brent and Harrow area Health Authority is worth £460,000.

At Wallington, Surrey, the company is building a three-storey office block for the Private Savings Property Company (value £200,000) and work has started on an £18,000 contract for Isle of Wight County Council for the construction of a nursery extension to a primary school.

IN BRIEF

● English Industrial Estates has announced start of work on an advanced factory of the terrace unit type, divisible into two units of 2,500 sq ft each, for the Development Commission at St. Ives, Cornwall. Contract, worth about £110,000, has been awarded to Venn Bros. (Cornwall), of Penzance.

● Cubitts has just started work at the Neston, Wirral, site of the GEC-Fairchild microelectronics production factory to be built on the Clay Industrial Estate under a contract, already announced, worth about £6m.

● Bovis Construction is to carry out a £510,000 refurbishment on three floors of the 10-storey Canberra House in Maltravers Street, London, WC1, under an appointment from international chartered accountants Arthur Anderson and Co.

● First houses from Trollope and Colls Homes latest development at Broadwater Park, Weybridge, Surrey, are now available for sale, and show houses were opened at the beginning of this month.

● Another first—directory of international consulting engineers is being published this month for distribution to over 3,000 organisations and those people involved in selecting consulting engineers in the developing world. It is distributed free of charge from FIDIC Secretariat, Carel van Bylandtlaan 9, 2596 HP, The Hague, Netherlands.

● British Quarrying and Slag Federation has produced a 15-minute slide programme with recorded commentary explaining the role that the products of its members play in modern society. Copies of the programme are available on loan from the BQSF at 14 Waterloo Place, London, SW1, or any of its nine regional offices.

● Heating and Ventilating Contractors' Association has published the 31st edition of its Year Book (£11.00 incl. postage) and is available from 10 King Street, Penrith, Cumbria CA11 7AJ.

● Main contractor for the £340,000 St. John's RC First and Middle School in Portsmouth is Jno Croad, member of the UK building division of Trafalgar House Group.

● Currently building a Sainsbury supermarket in Stafford is Linford Building Group under a contract valued at £½m. The work, in the Ankerside Development, Tamworth, entails installing an infill concrete floor, suspended ceilings, and all electrical and mechanical servicing.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

THE Government reports direct to the people at the end of each year, but the people have no representation by Members of Parliament, that is, no one to act on their behalf as watchdogs and critics.

Far from being another of those fashionable attacks on MPs for their alleged ineffectiveness as representatives of their electors' interests, this is an analogy of the more obvious deficiency of representation of shareholders' interests on the boards of public companies.

It is one of several vivid examples given by a paper in a new series of booklets on "Corporate Governance and Accountability,"* being published during the summer by the Institute of Chartered Secretaries and Administrators.

The Institute sees the purpose of the series as stimulating debate about the more fundamental issues of "corporate governance," following the widespread discussion in recent years about individual elements of the subject, including industrial democracy, audit committees, disclosure of information and accounting standards.

Christopher Lorenz looks at a series of papers on management accountability

How shareholders might develop the power of unused muscle

The author of the Westminster analogy, and of one of the first papers, is Dr. Kenneth Midgley. He may be far less well-known than many of the other contributors to the series: men such as the chairman of Courtaulds, Sir Arthur Knight, and the chairman of the U.S. Securities and Exchange Commission, Mr. Harold Williams. But, as lecturer in Finance and Accounting at Brighton Polytechnic, his researches have led him towards some trenchant conclusions and recommendations.

"For most companies, in most situations, the ritual of the annual general meeting and the voting machinery provides little more than a pointless charade," he says, referring especially to large, quoted companies. The low level of shareholder participation at annual general meetings "points to what might be described as the procedural facade of company control, rather than to lack of responsibility on the part of shareholders . . . (who) are realistic rather than irresponsible about formal company control procedures."

Discipline

In an accompanying paper in the same booklet, Sir Arthur Knight disputes this argument, claiming that shareholders' meetings are "an important discipline" upon directors even when they appear to be merely formal. He does suggest that the relationship between companies and their shareholders should be developed further — especially in view of the growth in importance of institutional investors—but not in the way advocated by Dr. Midgley. In fact, one of Sir Arthur's points is that the role of AGM's is *likely to become more* important, particularly in the light of proposed legislation on insider dealing.

Not only is Dr. Midgley doubtful about the viability of AGM's, and annual reports, as forms of accountability, but he also —in no uncertain terms— questions the effectiveness of non-executive directors and auditors. In both cases his doubts rest on several grounds, including: that non-executive directors "are in the boardroom at the invitation of the Board rather than genuine appointees of shareholders;" and, "today, when many auditors are involved with their clients as tax advisers and management consultants, it is doubtful whether they can be regarded as completely independent of company management.

In order to narrow the widening gap between the ownership and control of public companies and enforce a continuous and effective form of accountability, Dr. Midgley advocates the creation of direct private shareholder representatives on management or supervisory boards *(preferably the latter). They* should be proposed, not by the chairman of the company, but the shareholders themselves, he says.

Countering the obvious objection that institutional investors, who now own over half of quoted company ordinary shares, can exert considerable pressure on boards, Dr. Midgley stresses that investment managers are not *direct* investors, but intermediaries. So they "may not have the same intensity of interest in the profitability of their investments as the fairly large private shareholder."

Nor, he maintains, do they exercise continual supervision, "but rather begin to take a serious interest in control after signs of indisposition have begun to appear."

Sir Arthur Knight is decidedly less critical of the institutions, reporting their recognition that changing conditions require a closer involvement in the companies in which they invest. He also appears to be less sceptical about the effectiveness of non-executive directors, and points in particular to the recent growth of interest in *audit committees, composed* entirely or mainly of such board members.

Preponderance

"The much-quoted U.S. experience is hardly relevant," he claims, "since their boards of directors so often contain a preponderance of non-executive directors and thus lack the benefits of understanding and confidence which come from a well-balanced group of both executives and non-executives."

What about the board's responsibility and accountability to interests other than the shareholders? Here again, Dr. Midgley is outspoken, Sir Arthur more restrained, though they both agree that boards' responsibilities towards *employees should not be identical* with those towards shareholders.

From the outset, Dr. Midgley emphasises that responsibility and accountability are not identical. "A company may have responsibilities towards various parties, but this does not necessarily mean it should be accountable to them in the sense of *submitting a report to them.*" He illustrates the point thus:

"A man has various responsibilities: not to commit bigamy, not to get drunk and disorderly, nor make a public nuisance of himself; but these are duties of a negative kind, and he does not normally have to submit a report *on his good behaviour. Nor, at* present, does a company have to submit a report on its non-pollution of the atmosphere or its pursuance of an impartial *employment policy, although it* may, of course, make voluntary disclosure on such matters."

The law is currently moving towards requiring directors to have regard to the interests of their company's employees, concedes Dr. Midgley. And he supports various forms of disclosure to employees, including possibly the intended policy on mergers (though only in broad terms).

But he argues that "accountability to employees, as with shareholders, may be really significant only if a more continuous and accessible contact with management is maintained than at present operates in most companies; for example; *through* works councils . . . such participation by employees could offer prospects of better industrial relations and some gain to productivity, while occasioning no loss to shareholders."

Legislation

In his paper, Sir Arthur argues that legislation should not define the need to recognise employees' interests "in such a way that it is open to employees to challenge by the law the possibility that this requirement has not been carried out."

As for the concept of social responsibility to people or authorities outside the company, Dr. Midgley says that, even where government parameters are not provided, there will be *circumstances where the company,* "as an organ of society, should behave fairly and with a sense of responsibility even though no strict legal obligation exists. But while a board should *accept* clear social responsibilities, it should not *pursue* and *create* them as an end in themselves."

Dr. Midgley is far less open to the notion that boards should be *accountable for* social and/or moral responsibilities and, for example, submit to a social audit. "Companies should certainly act with responsibility, but while accountability for breaches of law cannot normally be avoided, there should, as things stand at present, be no need for positive accountability in the sense of a general statement of social good deeds or restraint from social wickedness. It is doubtful *whether a report* along these lines would be more than a vague and pious statement of self-approval.

As far as the idea of an independent social audit is concerned, Dr. Midgley considers this would be more critical and objective, but that as a regular exercise it would be a costly and unjustified distraction "for the great majority of companies."

** Dr. Midgley's and Sir Arthur Knight's papers for the first booklet in the Corporate Governance and Accountability series. The third paper, by Harold Williams of the SEC on "The role of the corporate secretary in promoting corporate accountability" is about to be published. Each booklet costs £2.00, from the Institute of Chartered Secretaries and Administrators, 16, Park Crescent, London W1N 4AH. Tel. 01-580 4741.*

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Fighting the battle against allergies on three fronts

MANAGEMENT OF the commoner varieties of allergy falls into three major categories: avoidance; active defence; and artificial prevention.

The first is deceptively easy. If one knows that certain foods cause one to suffer allergic reactions, then one should avoid them for ever because each indulgence leads to increasing trouble.

The same applies to medicaments. A sensible doctor asks a patient if he is allergic to, say, penicillin, and if so, he precribes a totally unrelated substance. It is wise for the patient to write such information in a document carried on the person; or engrave it on one of those silver bracelets. Even the most articulate individual cannot impart useful information when unconscious.

Defensive treatment of common allergic reactions is usually by the use of antihistaminics. In severe reactions, corticosteroids are very effective and do not produce the drowsiness which commonly occurs with many of the former drugs. The choice has to lie with the attending physician.

Active prevention is achieved by desensitisation. Before this can be done, the difficult search for the allergens has to be made. Diagnostic kits are available to doctors, but most prefer to send patients to recognised clinics which attain great accuracy. Such establishments can also produce specific solutions for a series of injections tailored for each individual. Carried out over many weeks, they obtain a fairly high degree *of success.*

When I was doing paediatrics I remember an episode which taught me a lesson or two. I was told to carry out tests on a small boy who suffered from allergic asthma twice daily. Having carried out some 15 patch-tests, I inspected them after about 10 minutes and, very foolishly, mentioned to the mother, a large and overflowing sort of woman, and her nervous husband that, at the moment, a slight reaction to "cat fur" was showing.

The woman's reaction was positive. "Right!" she said, "we'll kill the cat! That's your job, Hubert," she stated to her husband. "So just run along and do the job now!"

This summary execution order met with mild protests from Hubert, and terrible bellows of anguish from the small boy. *Disturbed by what I had started,* I begged the woman to be patient and not to be so hasty. No valid answer could be expected for another 15 minutes.

The cat was grumpily reprieved, and three of us were *very happy eventually to find* that the only strong reaction was to "Orris-root" which was widely used in talcum powders. I pondered about this. So the boy encountered talcum-powders twice daily! I tried a long shot. "Does young Sammy come and talk to you when you are dressing?" I asked the woman.

She grew larger and redder. "Just what are you suggesting, young man?" she demanded. "Is there something wrong about a four-year-old talking to his mummy when she dresses? Are you trying to be offensive?"

"Certainly not!" I replied, "It *merely occurred to me that the* only way the lad could inhale talcum twice daily was when you were using it. The times of his asthma fit well. So please don't kill the cat: just change your powder."

The woman grabbed her son and sailed off like a Spanish galleon, not beaten but just filled with impotent fury. To give her due credit, however, she stopped powdering the boy (who preferred the cat anyway) and his asthma occurred no more.

A curious form of desensitisation was employed by a consultant for whom I once worked. He had a wealthy broker as a patient who could not eat strawberries without suffering from a rash. And that man just adored strawberries. Now the late lamented Dr. Edward Cullinan devised a scheme for the man. This involved eating 1-150th of a strawberry on the first day; 1-75th on the second day and so on until, after some months, he was consuming nearly a pound a day.

Then he stopped, and Dr. C. took him to task: "Very naughty," he admonished, "because you have probably undone all the good we achieved." The man was unrepentant: "Never mind," he said, "I am quite cured. Not only has it cost me a fortune, but I never want to see a strawberry again!"

Almost aversion therapy, that, but as effective as the most exotic of scientific measures.

A selection of Dr. Carrick's past articles on various health topics has recently been published by Bay Books, under the title of Executive Health. Price £4.95.

Business courses

Noise in Industry. Uxbridge, Middx. September 25. Fee: £65. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middx., UB8 3PH.

Managing the Development of Microprocessor Based Systems. London. September 25-26. Fee: £160. Details from Course Registrar, Bleasdale Computer Systems, 7, Church Path, Merton Park, London, SW19.

Effective Negotiating. *London.* September 13. Details from Duke Street Courses, 57, Duke Street, London W1M 5DH.

Manager Development Seminar, Cambridge. September 24-28. Fee: £285. Details from The Director, University of Cambridge, Board of Extra-Mural Studies, Madingley Hall, Madingley, Cambridge, Cambs., CB3 8AQ.

China—opportunities for new business in the 1980's, London. September 24-25. Fee: £250 (plus VAT). Details from Conference Manager, Institute for International Research, 70 Warren Street, London W1P 5PA.

The Trade Union View of Industrial Relations, Henley. September 30-October 5. Fee: £325 (approximately). Details from The Registrar, The Administrative Staff College, Greenlands, Henley-on-Thames, Oxon RG9 3AU.

LOMBARD

Interest rates and sterling

BY SAMUEL BRITTAN

TWO INDUSTRIAL lobbies are building up which are a much greater immediate threat to the sensible elements in the British Government's economic policy than anything emanating from the unions. These are the rumblings which are now going on about the "high" level of interest rates and the strength of sterling.

The strengthening of sterling is in fact the main force putting some sort of brake on inflation, as I explained in *Economic Viewpoint* on June 28 ("Cheers for a Rising Pound"). Nevertheless, it is not possible both to have a *rising* sterling rate and interest rates higher than in the other main financial centres for an indefinite period. Normally a *relatively* high rate of interest compensates for a falling not a rising exchange rate.

Adjustment

It would be better if the adjustment came from interest rates and not from a reversal of sterling's movement. Geoffrey Wood and Ian Richards, in a Buckmaster and Moore circular, attribute the strength of sterling, not only to oil, but to the effects of tight money targets against the background of temporarily high domestic inflation. They expect sterling to level off early next year "unless UK monetary policy is tightened further." They do not expect a fall in sterling; nor would one be desirable.

Well before sterling levels off international interest rate differentials should narrow. This is already happening, mainly through other countries raising their interest rates as part of their anti-inflationary policies. But eventually UK rates will themselves come down as the money supply comes under control. Sometime in 1980 both international and UK interest rates should be falling as a built-in natural corrective to the world recession that most people see coming next year.

The purely domestic opponents of sound money can probably be kept at bay. The bigger threat comes from the opponents of the rise in sterling.

Although the dollar could remain on a falling trend for decades, it will certainly not be allowed to fall on the scale of recent weeks. Some combination of direct controls, monetary restraints and an international support package should lead to at least a temporary recovery of the dollar of the kind seen after November's package. No-one can guess how soon this package will come or how effective it will be nor the peak that the sterling dollar rate is likely to reach meanwhile.

Difficult

The best answer about what to do while we are waiting is "nothing," often the most difficult policy of all; and it is worth putting up a fight for such a policy.

What however would be the least evil form of interference if political pressures were to force the authorities to act? Of course the Bank of England has in its drawer contingency plans in the form of penalties on monetary inflows from overseas as Germany and Switzerland have often used in the past. But it would be folly to contemplate such measures, even as a lesser evil, until the last remnants of outward exchange controls have been removed, above all the restrictions on dollar portfolio investments and third country credits. Otherwise, we will have the absurdity of simultaneous inward and outward controls.

But the worst measure of all would be a premature relaxation of domestic interest rates or direct intervention in the foreign exchange markets to hold down sterling. The objection, that either will drive up the domestic money supply, causes fury to post-war traditionalists. Their most rational argument is that countries such as Germany have allowed temporary lapses in monetary control, in the face of upward pressures on their currencies, without an inflationary take-off.

If, the UK's inflationary history were like that of Germany, Austria or Switzerland, then the argument would make sense. But it makes none at all after a decade or more in which the British inflation rate has been one of the world's highest and in which the lapses from monetary control have been far more in evidence than the control itself.

Abandoning monetary targets now, would destroy more jobs than it would create on any horizon further than that of a mole's. This is a lesson of recent history which our economic intellectuals are reluctant to learn and which some practical industrialists, for more understandable reasons, find terribly difficult to accept.

Need for new approach to litigation

THE WEEK IN THE COURTS

BY JUSTINIAN

IT WAS Dr. Johnson who first recognised that the ordinary man is rarely fit to plead his own case in the courts, and needs a lawyer, to present evidence in an easily assimilable form to apply the relevant law. "A lawyer is to do for his client all that his client might fairly do for himself if he could."

Thus any legal system — and particularly the adversary system of English law — calls for legal representation if it is to operate with anything like justice.

The adversary system demands above all that communications between lawyer and client should be strictly confidential, since the lawyer is for all intents and purposes the mouthpiece of his client; so too the material in the lawyer's brief or file must be protected. Such is the basis of the privilege — it is the client's and not the lawyer's privilege — against disclosure of material collected for use in pending or anticipated litigation.

Privilege against disclosure

The privilege against disclosure of information supplied by a client to his lawyer comes into conflict with another major principle of the administration of justice, namely, that all relevant evidence should be adduced before the court.

Every litigant seeks disclosure of any material that will assist or win his case, and that may often include material in the possession of his adversary. The resolution of these competing principles lay at the heart of the House of Lords' recent decision in Waugh v. British Railways Board.

Mrs. Waugh's husband was a British Rail driver. In 1976 he was involved in a railway accident. He received injuries from which he later died. When an accident happens on the railways there is a standard practice about investigating it. On the day of the accident a brief report is made to the railway inspectorate. Soon afterwards a joint internal report is prepared incorporating statements of witnesses; this too is sent to the railway inspectorate which later reports to the Department of the Environment. It also goes to the Board's lawyers. When Mrs. Waugh brought an action under the Fatal Accident Acts she faced a claim to privilege against disclosure of the joint internal report.

Two-fold purpose

The joint internal report had a two-fold purpose. It was produced for railway operation and safety purposes and also for the purpose of obtaining legal advice in anticipation of any claims made against British Rail. The first was the more immediate purpose, but both were considered equally important. The question for the courts was whether the second purpose was enough to shroud the report in legal privilege, or whether, in order to support a claim for privilege, the second purpose had to be the sole purpose, or the main one.

It might be asserted that documents should not be kept back from opponents and, if disclosure cannot be withheld, then the lawyer should not be able to do so. But the adversary system of justice operates on the principle that a person is entitled, within limits, to refuse to disclose the nature of his case, at least until trial.

One side may not ask to see the statements of the other side's witnesses, or even to know who is being called to give evidence. He must wait until the card is played and cannot try to see what cards his opponent is holding. The more potent reason for the privilege is, however, to encourage anyone who knows the facts to state them fully and candidly, which he may not do unless he knows that his communication is to be kept confidential. For the client instructing his legal representative it is vital, to use the words of Sir George Jessel, that he should bare his breast to his lawyer.

The preparation of a case for court is not the only interest that calls for candour. In accident cases the safety of the public may well depend on the candour and completeness of reports which draw attention to defects; this does not in law justify a claim to privilege, since the completeness of reports has never been regarded as inhibited by the fact that they may have to be produced if the interests of due administration of justice should require their production.

While privilege may be required in order to induce frankness in statements made for litigation, it is not required for the parallel purpose of enabling a railway system to operate safely.

Faced with the established rule of legal professional privilege, the House of Lords was keen to set limits to its application. The due administration of justice strongly pointed in favour of the production of the joint internal report on the accident. It was a contemporary report; it contained the testimony of eye-witnesses to the accident; it would be not merely relevant evidence, but almost certainly the best evidence as to the cause of the accident.

Would seem excessive

The public interest in disclosure could only be overridden in order that the possessor of the report might freely prepare his case for trial. But to carry the protection against disclosure into cases where the litigious purpose was only secondary with another purpose would seem to be excessive and unnecessary in the interests of encouraging truthful revelation. Hence, the Law Lords held, the purpose of preparing for litigation should be either the sole purpose or the dominant purpose of the report in order to sustain a claim of legal privilege.

The evidence from British Rail was that the procuring of legal advice or the preparation for litigation was not the main purpose of the accident report. Hence the claim to legal privilege could not be sustained and British Rail was ordered to disclose the report to Mrs. Waugh and her solicitors.

The whittling down of the scope of legal professional privilege reveals an unease among the judges in the maintenance of this unique privilege. No other professional man can claim it, although claims to confidentiality of material that is obtained under the seal of confidence is sometimes sought and even granted.

Adversary system

Is it right that society should remain content merely to supply the forum and the legal code, and to leave the parties to select the evidence they adduce to win their cause, detaching the judge from the hurly-burly of the contest to enable him to view the rival contentions dispassionately? Or should society abandon the age-old approach of denying a litigant the right to call on his adversary to make or aid his case?

The desire to arrive at a just result by insisting on the maximum disclosure to the court of all relevant material, reflected in the judges' dislike for upholding claims to privilege against disclosure, is a reflection of the need for a new approach to litigation. The adversary system, so fundamental to the outlook of the common law of England, may be seeing its last days.

Rain should mean bigger fields

RACING

BY DOMINIC WIGAN

STEADY OVERNIGHT rain that began early yesterday morning and continued well into the day has taken a good deal of the sting out of Goodwood's downland course and everything looks set for a week's really competitive racing.

Captain Ryan Price, for one, will be more than happy to see the rain at last intervening, for, had the ground remained firm, he would not have considered risking several from his high-class team of juveniles. Now he may be prepared to let Varingo, Lavinsky and Romeo Romani, among others, take their chances.

At this stage it seems probable that Varingo rather than the less experienced Romeo Romani will represent the stable in the meeting's two-year-old feature event, the £20,000 added Richmond Stakes. Varingo, generally accepted as the fastest colt seen out this season, with the possible exception of Try To Smile, has had a good break since retaining his unbeaten record at Royal Ascot (where, in any event, he took little out of himself). It is hard to see anything but Lord Seymour fully testing him.

Lord Seymour has been working with zest since his defeat at the hands of stable companion Final Straw left trainer Michael Stoute somewhat aghast as the pair passed the post locked together in a memorable finish to the July Stakes.

Lavinsky, Price's intended runner for Wednesday's Foxhall Stakes, looks to have a stiff task under 9 st 3 lbs. However, he is a big, powerfully made sort, who has yet to be fully tested, having won Salisbury's Champagne Stakes and a maiden's event at Newbury with ease. I can see him making a bold bid to shrug off his welter burden.

Incidentally, Lavinsky is another colt to emphasise the fact that no trainer in Britain meets with more success from cheaply bought yearlings than Price. He cost only 5,400 guineas.

Although the Richmond Stakes is the most richly endowed two-year-old event, it might be that the Lanson Champagne Stakes will provide the week's highest quality field of juveniles. Those confirmed to run include London Bells, who recently lowered The Minstrel's two-year-old course record at the Curragh; Johnnie O'Day, considered by some to be the fastest colt in Ireland; Final Straw, and Henry Cecil's Parthian Gold.

NEWCASTLE

3.30—Jeroboam**
4.00—Kinetic

NOTTINGHAM

6.30—Detonate***
7.00—Walking Express
7.25—Skin Diver*
7.55—Verbalism
8.20—Brandish
8.50—Girton

TV Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra-high frequency only). 9.35 Roobarb. 9.40 Jackanory. 9.55 C.B. Bears. 10.15 Why Don't You . . . ? 10.40 The Flashing Blade. 1.15 pm News. 1.30 Trumpton. 3.35 Your Songs of Praise Choice. 4.13 Regional News for England (except London). 4.15 Play School (as BBC-2 11.00 am). 4.40 Deputy Dawg. 4.45 Jigsaw. 5.10 Big John, Little John. 5.35 Captain Pugwash.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Ask The Family.
7.20 Explorers of the Deep.
8.10 Frank Sinatra, A Man and his Music (part 2).
9.00 News.
9.25 "The Duke," starring Robert Conrad.
11.00 Good Evening Salford!
11.40 The Devil's Music.
12.05 am Weather / Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland. 8.10-9.00 The Vital Spark. 12.05 am News and Weather for Scotland.

Wales—1.30-1.45 pm Pili Pala. 5.35-6.20 Wales Today. 6.55-7.20 Heddiw. 12.05 am News and Weather for Wales.

Northern Ireland — 4.13-4.15 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open University.
6.55 Pick of the Philpott File.
7.45 Mid-evening News including sub-titles.
7.55 For Valour.
8.10 The Waltons.
9.00 Ronnie Prophet Sings Country.
9.25 Inside Story.
10.15 Best of Brass.
10.50 Return Call to Brass Tacks.
11.00 Late News.
11.15 Gustave Courbet—Engine of Revolution.
12.05 am Closedown reading.

LONDON

9.30 am Beyond the Moon. 10.00 Open Air. 10.30 Cartoon Time. 10.50 The Coral World. 11.40 Greenwich: A People's Heritage. 12.00 Jamie and the Magic Torch. 12.10 pm Stepping Stones. 12.30 Emmerdale Farm. 1.00 News, plus FT index. 1.20 Thames News. 1.30 All About Toddlers. 2.00 Rumpole of the Bailey. 3.00 Monday Matinee: "The Gun and the Pulpit." 4.20 Clapperboard. 4.45 Why Can't I Go Home? 5.15 Survival.

5.45 News.
6.00 Thames News.
6.05 Miss Thames Television 1979.
6.35 Crossroads.
7.00 Oh Boy!
7.30 Coronation Street.
8.00 Spooner's Patch.
8.30 World In Action.
9.00 Spearhead.
10.00 News.
10.30 Monday Star Movie: "Castle Keep," starring Burt Lancaster.
12.25 am Close: Actor Hugh Morton reads from Brother Roger of Taize.

All IBA Regions as London except at the following times:—

ANGLIA

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.50 Oscar. 1.25 pm Anglia News. 2.00 Houseparty. 2.25 The Love Boat. 3.20 Rumpole of the Bailey. 5.15 Get Some In! 6.00 About Anglia. 10.30 Speedway—Match of the Week. 11.15 Feature Film: "Not Of This Earth." 12.35 am Reflection.

ATV

10.30 am Dick Tracy. 10.35 Sesame Street. 11.35 Ghost Busters. 1.20 pm ATV Newsdesk. 3.00 Movie Matinee: "The Shell Game." 6.00 ATV Today. 10.30 Columbo. 12.15 am Something Different.

BORDER

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 1.20 pm Border News. 2.00 Houseparty. 2.25 Young Ramsay. 3.20 Rumpole of the Bailey. 5.15 Cabbages and Kings. 6.00 Lookaround Monday. 6.20 The Sound Of . . . The New Seekers. 10.30 S.W.A.T. 11.30 The Do-Gooders. 12.00 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 3.00 The Monday Matinee: "Lanigan's Rabbi." 5.15 Cabbages and Kings. 6.00 Channel News. 6.10 The Beverly Hillbillies. 10.28 Channel Late News. 10.35 Sounds of Summer. †11.10 Feature Film: "The Chiltern Hundreds." 12.40 am News and Weather in French followed by Channel Gazette.

GRAMPIAN

9.35 am First Thing. 10.30 26 Times in a Row. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 1.20 pm Grampian News Headlines. 3.00 Monday Matinee: "Cry For Help." 5.15 Out of Town. 6.00 Grampian Today. 6.05 Flair. 10.30 Reflections. 10.35 The Monday Thriller: "Kiss the Girls and Make Them Die." 12.25 am Grampian Late Night Headlines.

GRANADA

10.30 am Sesame Street. 11.25 Valley of the Dinosaurs. 11.45 A Handful of Songs. 1.20 pm Dick Tracy. †3.00 Monday Matinee: "Good Morning, Boys!" starring Will Hay. 5.10 Felix the Cat. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Get Some In! †10.30 The Monday Film: "The New Interns" starring George Segal, Telly Savalas.

HTV

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 3.00 The Monday Matinee: "The Man Without a Country." 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 Cinema Club.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

10.30 am Andy's Party. 10.55 Adventures in Rainbow Country. 11.20 The National Benzole Master Bowler Championships. 11.45 Oscar. 1.25 pm News. 3.00 Laverney and Shirley. 3.25 The Life and Times of Grizzley Adams. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today—Summer Extra. 6.30 Crimedesk. 6.45 The Sounds of . . . The Settlers. 10.30 Late Call. 10.35 Colgate World Mixed Golf Championships. 11.35 Take the Mick.

SOUTHERN

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 1.20 pm Southern News. 2.00 Houseparty. 2.25 The Love Boat. 3.20 Rumpole of the Bailey. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 10.30 Southern News Extra. 10.35 Doctor's Private Lives. 11.30 The Electric Theatre Show. 11.30 Scene in Profile (South East area only). 12.00 Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.30 Andy's Party. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 1.20 pm North East News and Lookaround. †3.00 Monday Matinee—"Turkey Time," starring Tom Walls and Ralph Lynn. 5.15 The Best Disco in Town. 6.00 Northern Life. 10.30 The New Avengers. 11.30 Jazz Night. 12.00 Police Surgeon. 12.30 am Epilogue.

ULSTER

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar. 1.20 pm Lunchtime. 3.00 Monday Matinee: "The Shell Game." 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Family Matters. 6.30 The Mary Tyler Moore Show. 10.30 Monday Movie "Sapphire." 12.10 am Bedtime.

WESTWARD

10.30 a.m. Andy' Party. 10.55 Weir's Way. 11.20 National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.00 The Monday Matinee: Lanigan's Rabbi. 5.15 Cabbages and Kings. 6.00 Westward Diary and Sports Desk. 10.32 Westward Late News. 10.38 Canstien talks to the Animals. 11.05 Faith for Life. †11.10 Feature film: "The Chiltern Hundreds." 12.40 am West Country Weather and Shipping Forecast.

YORKSHIRE

10.30 a.m. The Herbs. 10.45 Kosciusko—The Cruel Country. 11.35 The Roman Holidays. 1.20 p.m. Calendar News. 3.00 Untamed Frontier. 3.25 Stars on Ice. 3.50 The Sullivans. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont eds.). 10.30 The Calendar Question. 11.00 Barney Miller. 11.30 Do-gooders.

RADIO 1

(s) Stereophonic broadcast
‡ Medium wave

5.00 a.m. As Radio 2. 6.00 Andy Peebles. 9.00 Peter Powell. 11.00 Radio 1 Roadshow. 12.30 p.m. Newsbeat. 12.45 Paul Burnett. 2.00 Tony Blackburn. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (s). 12.00-5.00 a.m. As Radio 2.

RADIO 2

5.00 a.m. News Summary. 5.3 Tony Brandon (s). 7.32 Terry Wogan (s). 10.03 Jimmy Young (s). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (s). 2.15 David Hamilton (s). 4.15 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 6.45 Sports Desk. 7.02 Music from the Movies (s). 7.30 Sports Desk. 7.33 Alan Dell including 7.33 The Dance Band Days and 8.02 The Big Band Sound (s). 9.02 Humphrey Lyttelton with The Best of Jazz on records (s). 9.55 Sports Desk. 10.02 Funny You Should Ask. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 a.m. You and the Night and the Music, with Patrick Lunt (s).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture part 1 (S). 8.00 News. 8.05 Overture part 2 (S). 9.00 News. 9.05 This Week's Composer: Ferruccio Busoni (S). 10.00 Ronald Stevenson's Passacaglia (S). 11.25 French Music of the Late 15th Century (S). 12.15 pm Midday Concert part 1 (S). 1.00 News. 1.05 Midday Concert part 2 (S). 1.55 Simon Preston organ recital (S). 2.25 Matinee Musicale (S). 3.25 New Records (S). 4.25 Music Making (S). †5.45 News. †5.50 Homeward Bound. †6.15 At Home. 7.10 Pied Piper. 7.30 Proms 79 part 1: Carter (S). 7.45 New Light on Brecht (talk by John Feugl). 8.05 Proms 79 part 2: Lutoslowski (S). 8.25 The Beginning of My Second Week (story by Ian Hawkins). 8.45 Proms 79 part 3: Tippett (S). 10.05 The Curse of Moses: James Joyce's poetry, with Terence Tiller. 10.30 Gerald Moore, The Unashamed Accompanist: celebration of his 80th birthday (S). 11.25 Jazz in Britain (S). 11.55-12.00 News.

VHF Only—6.00-7.00 am and 5.45-7.10 pm. Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.45 The Young Visiters by Daisy Ashford. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 The Cost of Unemployment. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 I'm Sorry I Haven't a Clue (S). 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play. 9.15 Many Happy Returns with author and traveller Rene Cutforth. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Charlton Interview. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 The Unforgettables. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 7.03 Black Londoners. 8.00 Breakthrough. 10.03 Late Night London. 12.00-5.00 am As Radio 2.

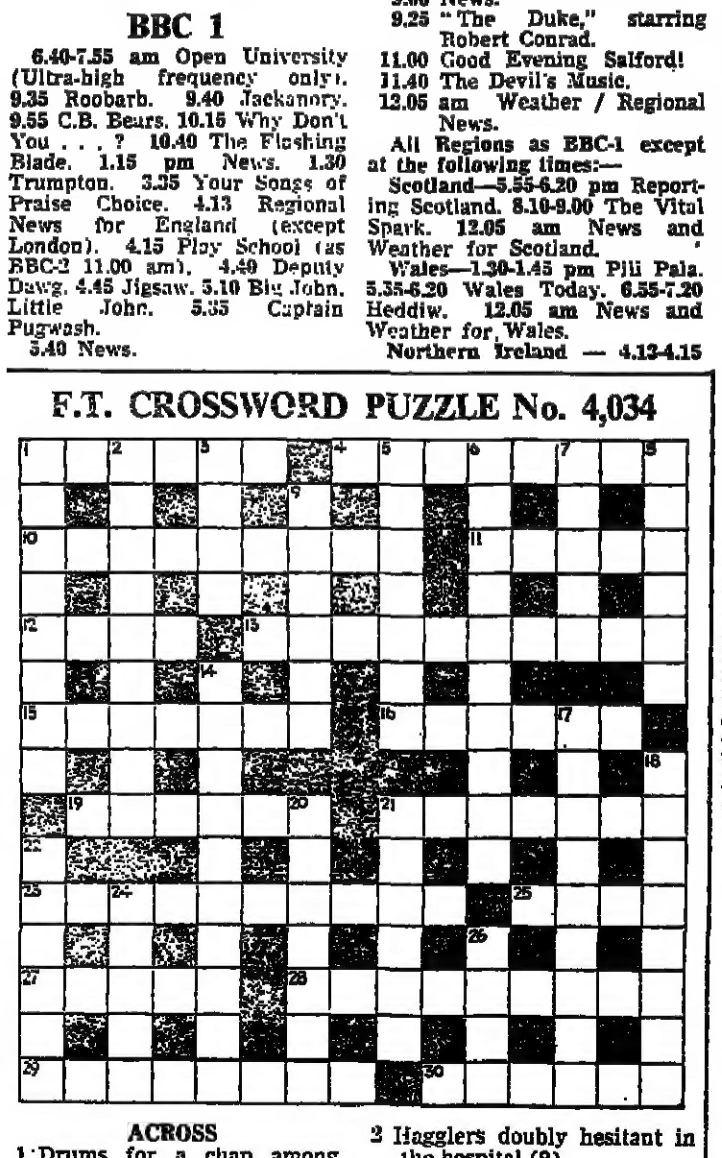
London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash. 3.00 pm Peter Young (S). 7.00 London Today (S). 7.30 Jazz on a Summers Day with Adrian Love (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Mike Allen's Late Show (S). 2.00 am Ian Davidson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,034



ACROSS

1 Drums for a chap among sailors (6)
4 Quietly turns the red to blue (8)
10 Apposite, but if I'm in front it's rude (9)
11 Has an intuition that the recompense may be about fifty (5)
12 Ring the German flower (4)
13 River and rail combine to beat resistance (6-4)
15 Put the measure in case to burn (7)
16 We find the artist in a flood of invective (6)
19 Customs established by the wise among us (6)
21 A dog to beat the favourite (7)
23 Embroidery has to the French little purpose (5, 5)
25 No marine standard (4)
27 You can't sink any lower (5)
28 "You're playing —s, and he calls you bad names" (Iolanthe) (5, 4)
29 Extracts a herb in a predicament (8)
30 Causes a split beween Percy and Shelley (6)

DOWN

1 The best nick is excellent (8)
2 Hagglers doubly hesitant in the hospital (9)
3 A bird to revile (4)
5 About to negotiate a refuge (7)
6 Sufficient allowance sure to spoil the drink (4, 6)
7 Boadicea's lot (5)
8 Made a home for a good man in distress (6)
9 Famous footballer goes round the street for a pound (6)
14 A sailor has to obtain a district close to the objective (6, 4)
17 Ambassadors perhaps, have certificates about a car model (9)
18 A step made in panic (8)
20 Afflict the company in swell surroundings (7)
21 Afraid? You've got it—finish the business (4, 2)
22 Be forthcoming—start firing (4, 2)
24 Draws about 500 sea movements (5)
26 The double note always means time for action (1-3)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit Cards. 01-240 5258. Reservations 01-836 3161.
ENGLISH NATIONAL OPERA
Season opens Mon. Aug 6 at 7.30. [illegible]

THEATRES

DRURY LANE. CC. 01-836 8108. Evs. 8 pm. Friday and Sat. 8 pm. and 8.45 pm.
The Rio Extravaganza
BRASIL TROPICAL
[illegible]

THEATRES

ROYAL COURT. 730 1745. Air Cond. Monday to Saturday at 7.30
REGGAE BRITANNIA
by Leigh Jackson.
Reggae music live on stage.
[illegible]

CINEMAS

[illegible]

THE ARTS

Munich Festival—3

Meistersinger, Werther

by MAX LOPPERT

A newcomer to the first third of this year's Munich Festival discovered there a strange disparity of standards. The less familiar or unfamiliar fare—Penderecki in the National Theatre, Myslivek and Mozart's *Gärtnerin* in the Cuvilliés—was performed with devotion and high accomplishment, by ensembles cohesive and balanced; and were greeted with discrimination and intelligent attention by the audience. The two big, popular events of my five days—the new *Meistersinger* with Fischer-Dieskau, the 1977 *Werther* with Domingo, revived for two festival performances—were an introduction to a different kind of operatic Munich: productions at worst coarse and unstylish, played to an audience apt to chatter and fidget (and permitted late arrival during the Wagner first act), when not cheering the scenery and the singers indiscriminately.

I'm not sure what I expected from a first *Meistersinger* in Munich, the city where the opera was first given. I suppose I hope for a spirit of depth and seriousness, and feared its modern opposite, the spirit of Producer's Perversity, tampering with libretto and musical sense. August Everding and his designer Jürgen Rose invoked neither; their staging was not serious, not innovative, only rompish, crudely high-spirited, and often vulgar. The period was moved forward by about two centuries; the interior of St. Katharine's Church was a Netherlandish structure of wood and white paint. Rose's gabled wooden structures were separated and reformed for the street scene of Act 2 and the interior of Act 3, and were pushed back to frame the *Festwiese;* but their appearance was invariably spindly and casual, lightweight without grace. Dreadful metal tables and chairs filled what was supposed to be the Pegnitz meadow, for all the world as though the Johannistag celebration were a mayoral garden party with meanly buttered cucumber sandwiches.

Everding, a producer so imaginative and resourceful in *Paradise Lost,* evinced discomfort or, worse, impatience with Wagner. In an account of the opera that joked and bounced unmercifully, shedding most of the romantic poetry, insensitive to the majestically steady inner rhythm of the music-drama. It was filled with "novel" touches. The Mastersingers yawned, rolled about in their seats, mugged their incomprehension of Walther's "So rief de Lenz;" Peter Schreier, a disappointingly bumptious David, pulled faces during the recitation of the tones; the Act 2 riot was a pillow fight, in which tumblers participated; the Nightwatchman won a laugh with his funny walk. And so on. No good points? Well, there was Beckmesser, tall, nervous, and crotchety, very touching in Hans Günter Nöcker's beautifully timed characterisation. One looked forward to his every appearance.

And there was Kurt Moll, in mellow, rock-steady voice, as Pogner. For the rest, the modern, non-legato manner of Wagner singing tended to prevail: it does so everywhere, it seems, except where the influence of Reginald Goodall still holds sway. There were two born Davids in the cast—one of them, René Kollo, was singing Walther; and two born Beckmessers—one of them, Dietrich Fischer-Dieskau, was singing Sachs. His baritone, though puffed out and made consciously weighty, is no Sachs voice. At first he semed to have eschewed pedantic verbal underlinings; with the first monologue, and "der Flieder, so MILD, so STARK und VOLL," old habits returned. The whole performance, indeed, was a triumph of cerebration and minutely applied effects: there was no breath of naturalness in it. His wife, Julia Varady, was the Eva. I cannot quite hear the artless young girl in her voice, nor can I see her in Varady's dusky Mediterranean beauty; but she poured out, excitingly in "O Sachs! Mein Freund!", and cleanly in the quintet.

Under Wolfgang Sawallisch, the playing of the Bavarian State Opera Orchestra was rackety, for the most part crudely blended and shallow of tone. The chords at the start of the final *Meisterlied* were only the most notable of many that splayed during the evening. Tempi were fast; the opera hurtled along. The effect was of conductor and producer working in perfect accord.

Die Meistersinger had at least the dubious merit of determination in its coarseness. In *Werther,* uncertainty of style dominated. There were ludicrous surrealist sets (box hedges impregnated with little glow-lights in the first two acts; snow falling in Albert's drawing room in the third). Kurt Horres's production also had its nonsensical moments — Charlotte keeled over in a faint at the close of the second act, and lay there, like a rumpled picnic rug, while Albert looked on impassively and the curtain fell. Jesus Lopez-Cobos pulled Massenet's music about, sentimentalising and rendering commonplace its sweetness and its suave melodic lines. (He cut at least 48 bars from the end.) Singing in mangled French, the cast was decent German provincial—which served to underline the difference between Goethe's and Massenet's views of the German provinces. Charlotte was Brigitte Fassbaender, handsome, hard-voiced, cold; she made almost nothing of the words.

And despite all this, it was a memorable performance, for it had a noble and ardent hero. Domingo's whole being seemed suffused with poetry. On first appearance, his bearing, his movements (more delicate and detailed than I have seen from him before), the very flash of his eyes set him apart. The words were clear—pronounced not so much idiomatically as with great feeling for their meaning, and for the way they lie upon the vocal line. His love for the opera, strongly evident, was never superabundantly displayed—the style was distinguished by care and tact. The voice did not always flow easily; the top seemed under pressure; but in the Ossian strophes the tone was incomparably beautiful.

Brigitte Fassbaender and Placido Domingo in 'Werther'

Architecture

The shopping Kew

by COLIN AMERY

At the beginning of August one of Europe's largest covered shopping centres will open for business. Late in September the Prime Minister will perform the official opening ceremony and no doubt her mind will wander from the marble halls of Milton Keynes back to that modest grocer's in Grantham where she acquired her first experience of looking after the shop.

Milton Keynes Shopping Centre is a far cry from anything of its kind yet seen in Britain. The new city itself is officially described as the biggest planned urban development ever undertaken in the UK and by the 1990's there will be at least 200,000 people settling into the new city in the countryside of North Buckinghamshire. Planners describe the shape of the fast growing city as remarkably free from compromise. Other people who live in the new city and cope with its growing pains may have different words to describe their environment, but no one can argue with the fact that the city is about the most planned place in Britain and probably in Western Europe.

How does it all look? What sort of building is the great new centre? As you drive up the slight slope to the brow of the site all you can see is a long, very long, low glass building. Or is it a building? Because the architects have chosen to clad most of the structure with reflective glass panels it is the reflections of the sky and the scudding clouds that you see. But as you get a little closer there is no doubt about the size and presence of the centre. It is on the scale of Versailles, over 2,000 feet long and almost 500 feet wide. But, unlike that palace, the facades at Milton Keynes are devoid of any modelling or emphasis and appear to stretch into infinity.

At the eastern end of the centre is a large open space that is to be the City Square. This space is fringed by a belt of rough woodland that is a touching reminder of the woods and meadows that once covered the site. But there is no room for any rural nostalgia at Milton Keynes—this is the new world. A few steps from the great square and you are inside one of the two arcades that lead into the shops and run the entire length of the centre. Unlike so many shopping centres this one is full of brilliant light and the arcades are high and wide and floored with Travertine marble. Down the centre of these indoor streets are rows of flower beds surrounded by low marble benches. Banyan trees, camellias, pines, palms and an array of cacti and succulents grow luxuriantly. It will be like shopping at Kew Gardens.

The architecture of the centre is at all times incredibly recessive, smooth and rather other worldly. This impression is likely to fade as more and more chain stores with their hideous lettering and brash façades arrive. Already the Woolworths store stands out because it has been designed without any special concern for anything other than its corporate image.

The whole centre raises the question of whether or not it is possible to design every aspect of the environment. A town centre is not like an airport or a giant supermarket and somehow the cool austerity of the Milton Keynes Centre is too uniform and too controlled to have much meaning for the people who are going to use it. It is, by any standards, well designed, beautifully finished and impressive by its sheer size. But it is the architecture of Wonderland—designed for a race of men that have yet to be born.

Not all the public spaces of the centre are indoors. There is a large garden court open to the weather that is partly lawn and partly a pool and fountain. A curious geometrical pattern has been laid into the floor that has some mystic connection with the alignment of the centre on the point of the Midsummer sunrise. Steel bollards are decorated with the signs of the Zodiac, perhaps to add to the impression that this is a pagan place?

Families will welcome the easy access and shelter from the elements but I am sure that they will miss the sense of really being in a city that comes from the mixture of buildings and styles that is found in any old city. There will be a few pubs and restaurants in this centre but it will all be locked up after dark for the guard dogs to go on the prowl. Milton Keynes has been planned on such an absurdly low density that it cannot yet even pretend to be a city. Distances between everything are too great. It is a very well planned suburb. It has some interesting architecture and a lot of marvellous trees. As it grows it should feel like a great landscaped park. Milton Keynes is really Welwyn Garden City writ large.

At Milton Keynes—covered hall looking into service road

Albert Hall/Radio 3

Dvorak's Fifth

by RONALD CRICHTON

Dvorak's Symphony No. 5 in F (No. 3 is the old numbering), light and sometimes sharp in texture, is just right for a hot summer evening. Even so it will not (and did not) pack the Albert Hall. Unfamiliar works by composers popular for a handful only of their output can have as marked an effect at the box office as unfashionable contemporary music. The respectable audience that did go on Saturday (and had enough curiosity over for a Williamson concerto and a half-forgotten score by Frank Bridge) heard a fine reading by the BBC Concert Orchestra under Sir Charles Makerras. Apart from fleeting hints that the players were not always absolutely happy in Dvorak's trickily exposed scoring, such a performance should speed the symphony into the canon. The Fifth and No. 6 in D are the two most in need of belated acceptance, and Makerras is their divinely appointed British champion.

Bridge is having a good centenary year, so his reputation can surely take an occasional knock. *The Sea,* a four-movement orchestral suite born at the Proms in 1912 and played several times thereafter by Wood, has been neglected since the war. Saturday's revival partly explained why. The writing is as sure, effective and professional as ever but the material has a streak of commonplace and the view of the subject is limited. Comparisons with *La Mer* can't be shirked. Beside Debussy's command of the pull, swell, beauty and mystery of the waters, Bridge merely seems to go rock-pool paddling with a shrimping net. His storm-finale is mild: for this, his pupil Britten made amends many years later in *Peter Grimes.* Bridge's *Sea* has been compared with "an English water-colour"—yes, not however Turner but Edwardian book-illustration, reliable technique applied to genteel whimsy.

The isorhythmic shifts of Williamson's Concerto for Two Pianos and Strings have their whimsical, dig-in-the-ribs side but they add salt and wit. Since the work was a commission the scoring for strings only was presumably a condition, but except for the slow movement (a sort of saraband with slipped discs and much nicer than that sounds) the result at least in the Albert Hall inhibits the precision the rhythmic patterns demand. Back-desk violins seemed straggly and remote from the soloists (Moura Lympany and the composer). One might have noticed less if in the *Bartered Bride* overture at the beginning the whole band hadn't sounded so compact and so lively.

ICA Theatre

Scars

Roy Orbison sings "Only the Lonely" on the juke-box. The lights come up on a still life of brass instruments. A railway track disappears into the distance. Three girls in black glower at each other. On tape, we hear a storm, the twitter of birds. One of the girls slowly dries some cutlery while another prepares a meal for the boy. He sits at the table, removes the lid on his plate and eats a page from a book. The lighting is extremely subtle. Nobody laughs. This is performance theatre according to Hesitate and Demonstrate, a Yorkshire group.

You either submit to this sort of stuff or you begin to fidget. I fidgeted. A wedding march. A white shade descends on the celebratory cake. Suddenly the temperature changes. It is hot, a girl lies in a hammock and, to the accompaniment of jungle music, an animal skin rises from the floor to envelope her. Black magic. In a theatre, chocolates are proffered. The gestures are slow but immaculate. A fire ensues. Playground noises. The three girls are addressed by their tutor in the show's one spoken line: "You are a good girl, aren't you?"

The man goes from the pulpit to the table to collapse. A brass band plays "Onward Christian Soldiers" and a French anthem. The girls pour a cup of tea. One of them has a white bird on her shoulder. The lights fade. We all go home. Somebody said it was about the Brotes. I thought how good the People Show are.

MICHAEL COVENEY

Albert Hall/Radio 3

Crumb's Star Child

by DOMINIC GILL

Admirers of the music of the American composer George Crumb (b. 1929) will have looked forward with interest to the British premiere of his latest, and in terms of instrumental numbers so far his largest, work at last Friday's Prom. Even those unfamiliar with the name will have had their curiosity quickened by the description in the Prom prospectus of the forces involved—an expanded symphony orchestra including "seven trumpets, several vanloads of percussion played by eight performers, handbell ringers, two antiphonal children's choirs, solo soprano, and no less than six conductors."

In the event, all except the very gullible will have been disappointed. *Star Child* is a big work only in the kind of parlance that calls a big spender a big man; in musical substance it is a feeble cousin indeed to the best of Crumb's music — an empty and spendthrift indulgence, made of perhaps 10 minutes'-worth of ideas spun out, like musical candy floss, to nearly 40 minutes.

Perhaps Crumb's most remarkable gift as we know it from the chamber works that make up by far the greater part of his oeuvre is the ability to weave surprising and complex textures from the smallest resources. In *Star Child,* commissioned by the Ford Foundation in 1977, there is not one measure to match the deftness and lively pointing of *Ancient Voices of Children,* the magical shifting colours of *Eleven echoes of autumn,* the sparkle of the three *Makrokosmos.* The very freedom offered by such huge new forces seems to have stunned him into indecision—long-winded paragraphs of slow music a tthe very edge of audibility that move nowhere in particular; a central "apocalyptic" section of oisy, clever bombast; a few obvious antiphonal effects, sudden shouts from the brass, riffs and swirls from the percussion; but nowhere a gesture, a texture or a line of real substance—all air and pretension, a slick package of doodling from an uncharacteristically confused but still fluent pen.

Musical about Dr. Barnardo

A new British musical based on the life of Barnardo's Homes founder, Dr. Thomas John Barnardo, will open on Wednesday, May 21, 1980 in London at the Royalty Theatre, Portugal Street, Kingsway. It will cost £300,000 to stage and will have a cast of 30 plus a 22-piece orchestra. The musical has been written and composed by Ernest Maxin, the BBC producer who won the 1978 BAFTA award.

The main characters will be Tom Barnardo and his wife Syrie, with James Smillie in the title role.

The role of Syrie requires a dramatic actress with a good singing voice and Mr. Maxin says: "I will be looking for an English actress."

Great music in great houses

The National Trust recently announced a new form of arts sponsorship. Herring, Son and Daw a leading firm of London estate agents and surveyors are to sponsor an annual series of six celebrity concerts in National Trust houses in the South-East. The series will start with a specially commissioned programme from the Songmakers' Almanac to be held at Clandon in Surrey, on December 15. The Gabrieli String Quartet will also play at Clandon on March 1, 1980.

Emil Gilels, the Russian pianist will play at the Vyne in Hampshire in May; Henryk Szeryng, the Polish violinist will perform at Wimpole in July and Clifford Curzon will play at Cliveden in September. The first series of concerts will end with a performance by the Amadeus String Quartet at Petworth House in Sussex in October.

Beryl Grey to resign

Beryl Grey is to resign next month as artistic director of the London Festival Ballet.

A statement issued jointly by the company and Miss Grey said she would be leaving as a result of restructuring.

Miss Grey, who has been with the company 11 years, will become one of the governors of the ballet's trust, advising on sponsorship and artistic matters.

Riverside Studios

Masterwork?

by NICHOLAS KENYON

The Michael Nyman Band takes a noisy sledgehammer to crack a not very substantial nut. The pulse is powerful and pounding; the product insistent and relentless. Nyman has taken the naive ostinati and hypnotic patterns of Steve Reich and Philip Glass and put them firmly in a rock framework—screaming clarinets and saxophones, blaring horn and trombone, decked out with the nice period touch of a couple of rebecs—all mixed and amplified, dominated by Nyman's own mechanically obsessive piano playing.

When the harmonic material is interesting, as when he builds up the material from the opening of Leporello's aria from *Don Giovanni,* the result has a weird fascination. Where there's a tune of sorts blasted out under the figuration, as in *Bird List,* the best of the evening, it's almost attractive.

But the major offering had neither of these features. I suppose any piece called *Masterwork* will sound disappointing, and it is certainly too early to pass judgment on what were only musical sketches for an ambitious multi-media event to be staged at Riverside in the autumn. The piece seems to be going to be a criticism of architects forcing people into moulds (or to quote, it will "demonstrate some of the over-systemised and absurdly designed modulated systems of living"). Nyman's sketches are pure mould-music, rigidly over-systemised. And its hypnotic repetitions did not, as with the best of this repertoire, stimulate the senses subtly—they dulled them forcibly. Long before the end, one wanted to stop the eternal roundabout and get off.

CRICKET BY TREVOR BAILEY

Essex capitalise on their luck

LUCK OFTEN plays a vital part in cricket and it is one of the reasons why Essex, with almost 200 points, are top of the Schweppes County Championship table.

They have an enormous lead over the other main contenders, including a much improved Nottinghamshire, impressive Somerset and competent Kent. They have also been assisted by the England selectors who, until this weekend, ignored John Lever. He is by far the most successful bowler in the country with more than 80 wickets to his credit.

Luck alone, however, is not enough. Essex are heading strongly for a "double" because they have capitalised on their good fortune.

Earlier last week, having shot out Hampshire cheaply in the first innings, Hardie—not one of their stars—produced the major innings. The contrasting spin of East and Acfield took full advantage of a wearing pitch in the later stages.

On Saturday, Gloucestershire were bustled out for 92 and Essex appeared to oe heading for another comfortable win. But the pitch was unpredictable, and they were suddenly in deep trouble at 37 for 6. The rescuers were Phillip, Turner and the tail, who played with a mixture of aggression and determination. They reached a respectable 170.

Gloucestershire's attack was weak, with no second seamer to exploit a pitch on which Brain captured five for 33 in nine overs. Their spinners did not have sufficient control and their fielding was undistinguished. No team with good bowlers would have allowed Essex to climb off the floor, let alone to regain the initiative.

Line and length

On any wicket where the ball turns sharply and lifts, a spinner must concentrate on line and length. This is where the Gloucestershire pair, of slow left-armers, Childs and Graveley, failed. Their 27 overs cost 114 runs and contained too many loose deliveries.

Essex have improved their off-field facilities at Colchester, but the pitch on Saturday was not up to county standard. Twenty-one wickets fell during the day. The seamers made the ball lift unpleasantly and the spinners achieved turn and bounce. Batting looked impossible at the end of the Gloucestershire innings and when Essex came in. But when Gloucestershire went in again, they scored 66 runs for the sole loss of Sadiq.

The expectation of a heavy wicket toll seemed to inhibit the bowlers, who knew they ought to be wreaking havoc. It is hard to believe the venom has suddenly departed from a pitch on which much of the top has already gone.

When the match is resumed, the Essex attack should have a straightforward task. Gloucestershire are likely to find runs hard to come by, in spite of Zaheer and Procter being quality performers and the team's good support batting. Essex's chance will be further improved by the fact that Brain, Saturday's main executioner, has pulled a muscle.

Batsmen often add to the problem of playing on a bad wicket by deciding it is impossible, not merely unpleasant. They are not helped in the pavilion by hearing such comments as "mine was unplayable" or "it simply rose straight off a length."

The truth

The truth is that a batsman on an untrustworthy pitch needs some luck, especially at the start in tense application and the occasional calculated risk. After 20 minutes or so, life gradually becomes almost feasible, and there are few more rewarding things in cricket than playing a vital innings in the circumstances.

Essex, providing the total is not too high, should fancy their chances in their second innings, especially as the admirable Brain, the main executioner on Saturday, has a pulled muscle.

TENNIS BY JOHN BARRETT

County players reap rewards

EVEN THE KEENEST followers of lawn tennis could be excused for thinking that the game in Britain virtually dies after Wimbledon—at least as an international spectacle.

The truth is that at the heart of the summer season activity is intense. At county and, once the school term has ended, at junior level, there are events of quality which would surprise those who believed that only the Centre Court could produce excitement.

Last week, for instance, at seven venues, 42 British counties fielded men's and women's teams of six players each to contest County Week. This doubles competition is perhaps the most important week of the domestic season with competition for county places intense among the 2,500 clubs.

Last week's group one victory at Devonshire Park, Eastbourne for the Essex men and the women of Middlesex provided ample evidence that with a degree of support from the higher ranked players, county tennis can be every bit as rewarding and even instructive as a spectacle as the more glamourous Wimbledon.

I witnessed some exceptional rallies on Thursday when Essex, without the services of the injured David Lloyd, our Davis Cup doubles expert, struggled to beat Middlesex, their closest rivals, by five matches to four.

The rubber in which John Marnoch and Kevin Harris beat the Middlesex third pair Bobby Wilson, the former Davis Cup player, and Jeremy Trafford 17—15, 11—9 after three hours and 20 minutes was as competitive as any match.

This was a fourth consecutive success for Essex who were without the middle Lloyd, John, absent in America and their fifth victory in all.

It was good to see Glynis Coles our fifth ranked player, leading the Middlesex girls. Her presence was worth a couple of rubbers a day and it was a tribute to the outlook of the rest of the team, which included Linda Geeves who partnered Miss Coles, Veronica Burton now ranked 17 in Britain and Jane Plackett, Julia Lloyd and Sonia Davies, that th county went through the week undefeated.

It was only while defeating Yorkshire by six rubbers to three in the last match on Friday that Miss Coles and Miss Geeves were beaten.

They lost to Sue Mappin, who guides the fortunes of British women's teams, and Jo Smedley, to spoil an otherwise unblemished record which left them with 14 wins to that one loss.

This was a 20th victory in this competition for the Middlesex girls who last won in 1973. Surrey, the holders, lost only to Middlesex and finished second. They can still point to their glorious past, where the records show that they have won the inter-county competition 35 times. Middlesex, their nearest challengers, still have some way to go.

The Lawn Tennis Association can be thankful that County Week, like this week's Junior Grass Court Championships and next week's Junior Invitational Championships for the under-12s, under-14s and under-18s—all played on the splendid grass courts at Devonshire Park, Eastbourne—are supported by the Prudential Assurance Company.

There is no published figure for their county support, but for junior tennis in Britain, Prudential support the LTA with £55,000 per year. In addition, here are promotions and staging costs which must cost the company at least another £25,000. Without this sort of help it would not be possible to stage the sort of high quality event which will be played this week.

With the exception of Stephen Shaw, David Crichton-Miller and Elizabeth Jones, who are representing Britain in the European Youth Championships in Bastad in Sweden, all the leading young players are on view.

Jeremy Bates of Surrey and Keith Gilbert of Buckinghamshire are seeded to meet in the boys' final while Kate Brasher of Surrey and Sonia Davies of Middlesex are cast as the likely girls' finalists.

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Rhodesia and Mrs. Thatcher

THE QUESTION of Rhodesia has tended to dominate Commonwealth Conferences for almost the last 20 years, just as the solution has defied successive British Prime Ministers. The then Mr. Wilson, Lord Home (in his various incarnations), Mr. Heath and Mr. Callaghan all tried to reach a settlement, and all failed. As each Commonwealth Conference approached, there was talk of the Commonwealth breaking up if a solution were not found. The Conferences ended with the Commonwealth intact, and the Rhodesian question still unresolved.

Civil war

The difference between this week's conference in Lusaka and those which went before is twofold. On the one hand, there has been an internal settlement which has led, at least on the face of it, to majority rule. It was the achievement of majority rule that was the original objective of Britain, the Commonwealth and the United Nations. Yet, on the other hand, this state of affairs is plainly not acceptable to a large number of Rhodesian Africans, nor to the frontline African states on Rhodesia's borders. At the same time, the guerrilla conflict which many predicted over the years is escalating to the point where it may yet become a protracted civil war.

The task of the Lusaka meeting, therefore, can be simply stated. It is to see whether it is possible to find a Rhodesian constitution that would be more acceptable than that of the internal settlement to African opinion, both inside and around Rhodesia. If that could be done, it should follow logically that those African states which are opposed to recognition of Rhodesia under present conditions would be prepared to withdraw their objections, and also to end their support for the guerrilla forces. The way would then be clear for the lifting of economic sanctions and the granting of Rhodesian independence. The fighting might still continue, but at least it should be much diminished.

No-one should underestimate the difficulties of this course. It is not clear, for instance, how easy it would be to secure the necessary constitutional changes. It is obscure whether Bishop Muzorewa, the present Rhodesian Prime Minister, actually wants changes to take place, and indeed it is impossible to be certain how much power he possesses. There is also the point that those African states which have been calling for majority rule for so long might find it hard to make the mental jump to recognition even if substantial changes were achieved. There is, too, the attitude of Nigeria, not a frontline state but a considerable African power which has so far opposed any form of compromise. Not the least factor to be taken into account is the reaction of the Soviet Union — which, if nothing else, has demonstrated its ability to intervene in African affairs.

Sanctions

In spite of these difficulties, however, the course outlined above is the sensible one to take. The alternatives are direct outside intervention in Rhodesia, or what would amount to unilateral recognition of the present Rhodesian regime by Britain. The case against intervention is simply that it would almost certainly create more problems than it would resolve. The case against Britain going it alone is that all the other problems raised by Rhodesia would remain: the fighting would continue and in all probability intensify. Soviet involvement would increase while Britain's relations with some of the key African states would deteriorate, perhaps to breaking point.

Mrs. Thatcher, for all her other attributes, is a relative novice to African affairs. She has already made it clear—by her remarks in Canberra a few weeks ago, and, in passing, by her speech in the House of Commons last week—that her natural instinct would be to recognise the Muzorewa regime as it stands. She has acknowledged that it would be preferable if the constitution could be changed to the extent that some African states would accept it as a basis for independence. Yet the impression remains that if this cannot be done in the next few months, she will be prepared to recommend, or at least to accept, the lifting of sanctions by the British Parliament in November.

No deadline

It is precisely that impression that needs to be dispelled in Lusaka. Commonwealth Prime Ministers are meeting in an attempt to establish common ground. They will not succeed if Mrs. Thatcher sets a deadline for going ahead with her own preferred solution. After all these years there may be a natural desire to settle the Rhodesian question once and for all. Recognition, either *de facto* or *de jure*, of an unsatisfactory constitution, opposed by so many Africans, is not the way to do it.

Making cars on a world scale

WHEN THE merger between Leyland and British Motor Holdings was arranged more than ten years ago, it was argued that the two companies on their own would be increasingly hard pressed to survive in an industry dominated by giant companies: they needed the economies of scale which the merger would make possible. As it turned out, British Leyland found it difficult to achieve the projected economies and the management problems involved in putting the two companies together were seriously underestimated. But the argument about economies of scale appears to be stronger than ever.

Astronomical

Mr. Donald Petersen, a senior Ford Motor executive, told a conference in the U.S. last week that only companies which operated on a world scale, with an annual capacity of at least 2m vehicles, would be contestants in the world market battle of the 1980s. "It is obvious," said Mr. Petersen, "that many smaller specialised companies are going to survive only in marginal or protected domestic markets. Few of them can afford the astronomical costs of developing new models without associating with larger companies or turning directly to government for loans, subsidies or even partnerships."

Mr. Petersen painted a picture of a handful of companies, perhaps eight at the most, which would organise component manufacture and vehicle assembly on a global basis to minimise costs and maximise product quality. "The multinational sourcing of some parts and components will become standard operating procedure for any automobile producer that elects to manufacture on a global scale."

One hopes that the role of the specialist producers will be greater than Mr. Petersen thinks and that unexpected technical developments will create new opportunities for smaller companies, as they have done to some extent in computers. An oligopoly consisting of a few giant corporations, all of roughly comparable size and all producing the same sorts of vehicles for the same markets, presents an unexciting prospect for the consumer. Yet that is the way in which the industry seems to be moving and it would be unwise for governments or companies to ignore it.

For BL, one of the smaller and more vulnerable of the European companies, Mr. Petersen's comments strongly reinforce the logic of the proposed agreement with Honda. So far this is no more than an arrangement to build a Honda car under licence and sell it in Europe through the BL network. But the smaller Japanese companies must be as concerned by present trends in the world industry as their European counterparts. Some of them already have international links, though it must be questionable whether Isuzu and Toyo Kogyo relish a long-term future as junior partners of giant American companies. The scope for co-operation on a more equal basis between Japanese and European companies is certainly worth exploring.

Distortions

For the so-called host governments there is the danger of a scramble for favours from the multinational companies. The recent contest for what turned out to be an illusory Ford assembly plant in Europe is a sign of things to come. Competition will become even fiercer as developing countries like Brazil (which is already a substantial exporter of vehicles) seek new ways of enticing the multinationals to their shores. Investment subsidies, tax concessions and export obligations all have a distorting effect on flows of capital and make it easier for companies to play one government off against another.

The only way to bring this competition under control is through an international agreement on the lines of GATT. Such an agreement is desirable for many reasons and it is particularly relevant to motor vehicles. If the industry is to be as concentrated as Mr. Petersen suggests, it is all the more important for competition between the surviving companies to be as vigorous as possible, without governments bending the rules to suit their national interests.

A Tory dilemma over NEB'S high technology interests

BY MAX WILKINSON

AN ADVOCATE defending state intervention in British private industry might well rest his case on two of the National Enterprise Board's most successful investments, International Computers (ICL) and Systime.

"Ladies and Gentlemen of the electorate," he would say: "Without state interference, ICL would not exist. Without £40m of soft loans from a Tory Government, it would not have achieved its growth of profits and exports. Without public funds, ICL would not have become attractive to private enterprise.

"Now consider Systime, a small computer company in Leeds which doubled its profit and sales last year—a fine example, we submit, of the marriage of talent and technology in the service of profit. Yet Systime needed state funds to help it grow.

"Why did it need state money? Because Systime has never paid a dividend. And why has it not paid a dividend? Because its management believes profit should all be spent on research, development and new plant."

Sir Leslie Murphy, chairman of the NEB

The healthy ducks

Systime and ICL in different ways emphasise the dilemma which the Government has created with its directive that the NEB should on the one hand sell £100m worth of stock to the private sector yet on the other maintain a "high technology" group of companies under its protection. This disguises a rather inconvenient fact of life: the companies which are now attractive to the private capital market are exactly those companies for which state intervention has proved highly successful and, perhaps, essential. The 25 per cent holding in ICL and 50 per cent holding in Ferranti are the most obvious examples. The NEB is being pressed to sell out, just when the taxpayer is beginning to get a return on the risk capital invested on his behalf.

On the other hand, the NEB portfolio includes a group of smaller companies which are not lame ducks, as Ferranti once was, nor in need of the restructuring from which ICL emerged. Systime is an excellent example. It is private and very enterprising, but nevertheless has required public funds to help it to grow.

The reason is that it is operating in a fiercely competitive market, selling small business computer systems against multinationals 100 times its size, from International Business Machines downwards. It is also an ambitious company, not prepared to tick over at last year's level of £845,000 profit on sales of £9m. Instead of paying themselves dividends, the founders have decided to concentrate all their force on growth. And that is a long hard road, because in the computer industry even £100m of annual sales is quite small compared with the huge costs of research and development.

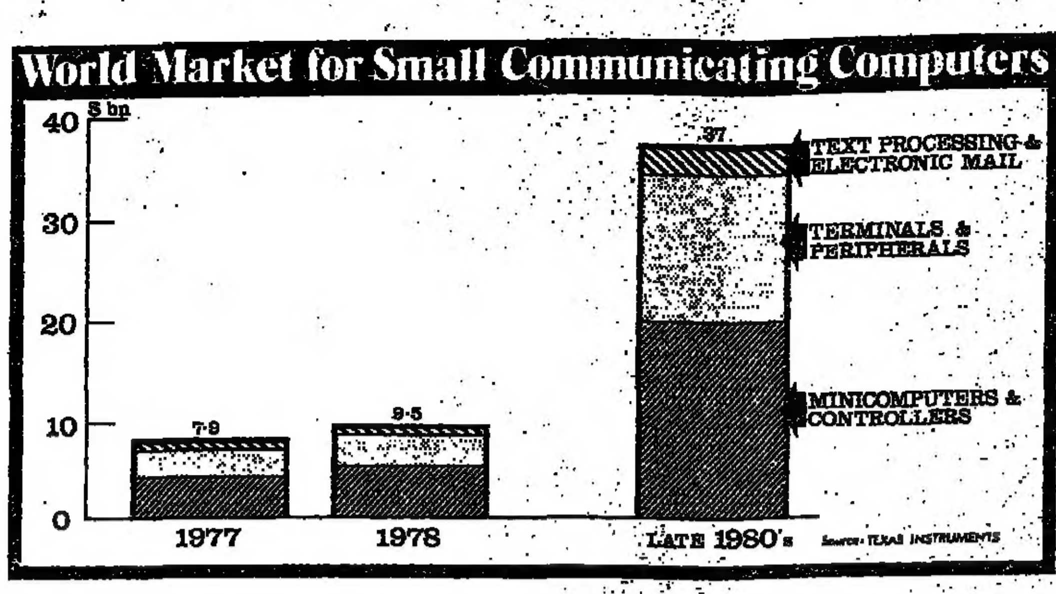
Consequently the company might not be very attractive to private venture capitalists, unless they were prepared to wait a long time for their profit. Of course, there always is the hope of capital appreciation, but quite recently Systime did find that it was not enough to attract the institutions, and Systime went to the NEB instead. On July 20 Sir Keith Joseph, the Industry Secretary called in to see Systime, which happens to be in his constituency, and he is reported to have come away highly impressed.

The NEB holds minority stakes of between 25 per cent and 30 per cent in a group of similar companies which have successful records designing and selling computer systems. All are small, and all will need substantial funds if they are to grow at the fast rate needed to attack export markets in the U.S., Japan, and Europe on a significant scale. In the past they have not been very successful in attracting private funds because of a combination of ignorance and caution in the large institutions. Even if the investment climate is now milder, a sale of the NEB's assets in these companies would raise only a trivial sum compared with the Government's total requirements.

In addition to these private companies in which the NEB has taken minority stakes, three completely new subsidiaries have been started which will require total funding of £100m or perhaps considerably more. They are INMOS, INSAC, and NEXOS. The trio is part of a general strategy which the NEB has been evolving for the electronics industry and which is closely related to the investments in the computer systems companies like Systime, Logica, and Computer Analysts and Programmers (CAP).

This strategy is based on the fairly simple proposition that apart from ICL, the British computer and office systems industry is fragmented and very vulnerable to foreign competition. The NEB argues that this market can only be attacked successfully by companies which are large enough to invest heavily in research and development, marketing, and in a wide product range.

INSAC was therefore formed to provide overseas marketing and development funds to the group of computer systems and programming companies under the NEB umbrella. Its job is to extend the range of the business in which they are already successful by providing co-ordinated marketing as well as extra money to develop new products.



NEXOS was founded to provide marketing and development money in communicating office systems. They include computer based typing stations which will be connected with electronic filing systems, and will absorb the functions of the traditional telex. A wide range of big companies, including IBM, Xerox, Siemens of Germany, Dutch Philips, and the General Electric Company are preparing for a major assault on this growing market. NEXOS will let contracts to a group of small companies including the systems businesses in which the NEB has taken or is planning to take an interest.

The third, and most controversial, of the new companies is INMOS, the subsidiary established last year to make microelectronic chips. INMOS is at the farthest remove from the central strategy, because even on an optimistic forecast it would not be able to make a special contribution to the other companies for several years. However, by the mid-1980s it is argued that semiconductor chip manufacturers will be of central strategic importance to the makers of computer equipment. By then it will be possible to etch a powerful computer with 1m components on to a single chip a few millimeters square. Few people can comprehend all the implications of this extraordinary technology, but certainly it will create a revolution among office products. The NEB has argued, therefore, that it is essential to form a British-owned company which will be jostling for position among the world semiconductor leaders in the next decade.

Budget will be limited

Whether or not the new Tory Government liked this strategy in principle, it has been forced in practice to accept the general lines of the NEB's arguments. Sir Keith told Parliament on July 19 that these "dozen or so newly established high technology companies" would be excluded from the list of the NEB's disposals this year. "The market has been discouraged in recent years from supporting such ventures," he said. "Time will anyway be needed for these companies to evolve before the NEB can sell them. . . . It seems sensible to use the NEB as one means of familiarising the market with new technologies. . . . The budget for it will be limited, but clearly defined."

This raises, but fails to answer, the fundamental question of how much influence the NEB should be allowed to exert in co-ordinating the efforts of those companies in electronic information systems. A policy of sprinkling a few million pounds of equity capital over companies like Systime is quite different from a long-term plan for the growth of the whole estate. Whoever believes that all these small companies will be nurtured to maturity by free enterprise alone should look very carefully at the methods which the multinationals can use to crowd out smaller competitors.

Exxon, in the U.S., for example, has used its oil money to move into the electronics industry on a broad front from semiconductor components to office systems with a strategy similar at least in scope to that of the NEB. Exxon, IBM, ITT and other large companies recognise that electronics are developing so fast that the successful groups will need a wide range of different technologies to be combined in new and unexpected ways. Consider a typewriter connected to a television which contains a computer and can make automatic telephone calls—all for a few thousand pounds. Only a powerful and diverse group can compete effectively in that sort of market. Those that cannot compete will be forced into a corner, producing specialised equipment in small quantities.

In Britain, with a weak home market and few large companies in the sector, a good case can be made to support the NEB view that someone should co-ordinate the efforts of the smaller companies. The Government may, of course, agree with the argument, but say that the NEB is the wrong body to plan the strategy.

Who, then, could fill the power vacuum which would be left if the NEB were to be pruned so severely that its strategy could not be effective? There are only two credible British-owned candidates, ICL and General Electric. Of the two, ICL seems the most likely. GEC has enough money and the desire to enter the field, but it is already assembling its own jig-saw of acquisitions and development projects to attack the market. A new semiconductor venture with Fairchild of the U.S., the acquisition of A. B. Dick, the U.S. office equipment company, and several other moves show its purpose.

ICL is a successful computer company which must now be looking anxiously at developments in the wider office equipment market. As computers become ever smaller and cheaper, computer companies must look at every possible way of expanding their range of products. If miniature computers are to become integral parts of typing stations, then computer companies may have to sell complete office systems to remain competitive.

At the right price

ICL, certainly, would be interested in acquiring parts of the NEB's empire including some of its interests in computer systems companies and perhaps even slices of INMOS and NEXOS at the right price, which means, very cheaply. From the Government's point of view, ICL could find favour as being a profitable fast growing free enterprise company with a successful history of digesting acquisitions. So why not encourage ICL to extend its fiefdom across the whole territory of electronic information systems?

It is a possible strategy. If Sir Keith intended to dismantle the strategic power of the NEB it would be very unwise not to think of an alternative. The free market by itself could provide plenty of alternatives—but mostly with German, Japanese and American names.

The objection to promoting ICL to the command of a bigger battalion are twofold. First, some of the troops might not like it. Systime, for example, is a competitor and could not easily serve under the ICL flag. Second, ICL is preparing, or should be preparing, for a very tough battle to continue its advance in the large and medium sized systems market.

IBM has proved unexpectedly aggressive with the announcement of its new 4300 range of medium sized computers. By the use of very advanced components, it has been able to slash the price to a third or a quarter for a given level of performance. The growing strength of the Japanese and the continuing improvement in components ensures that the pressure will not slacken for at least a decade. Entirely new types of computer are now being developed, for example, from components which are themselves complicated miniature computers.

Although ICL is well up in the development of some of these new systems, the new technologies may demand huge expenditure on development. It is therefore not impossible that ICL, like most of its foreign competitors, will in the 1980s once more require Government aid.

Government pessimism

Under the Labour Government, the NEB was considering in a rather general way, the possibility of using its 25 per cent stake in ICL to bring the company into a closer relationship with its other electronics holdings.

The weakness of the NEB in its role of electronics strategist has been that it intended to compete with the multinationals without having an effective substitute for the management structures of the multinationals. It operates basically as a holding company and takes little active part in the running of the electronics companies in its portfolio.

This policy of non-interference had advantages, but it is not at all clear whether marketing and development organisations like NEXOS could exercise adequate control over the production, quality and servicing of equipment made for it by other companies. Even under a Government which smiled on its ambitions the task of NEXOS would be formidable. If it is starved of funds the task would be impossible.

The Government's decision to reverse the engines of state intervention has created a backwash of turbulence and uncertainty in this high technology sector. Its pessimism about the effectiveness of state enterprise may be well founded, but the free market solution to Britain's structural weakness in the sector is by no means obvious.

Sir Keith Joseph came to his office with the conviction that the strong would be strengthened by the harsher disciplines of the free market. Since then he has been told repeatedly that in British electronics the strong are also the few.

MEN AND MATTERS

Electricians spark BUPA uproar

Battle-lines are already being drawn for a row which bids to convulse the Trade Union Congress at Blackpool early in September. It will centre on the deal, made at the weekend, under which 40,000 members of Frank Chapple's Electrical and Plumbing Trades' Union will have subscriptions to BUPA paid for them by their employers.

In trade union terms, this is heresy. TUC general secretary Len Murray recently sent out a letter to all affiliated unions, telling them not to involve themselves with private medical schemes. But Chapple is unrepentant about the deal he has made with the Electrical Contractors' Association, representing 2,300 companies. He has been quoted as saying: "No one is going to stop it."

When I yesterday contacted Martin Pettingall, an official of the association, he expressed shock that the news had got out. "We were planning to announce it next weekend," he said.

According to Pettingall, the deal was arranged through the joint industry board—of which Frank Chapple is a member—after several months of discussion. It was not part of a wage deal, but purely an "extra benefit" for employees.

The joint industry board is based upon a counterpart in the U.S. which has a private medical care scheme. "I am sure the idea came from there," says Pettingall.

Although the deal applies to only about one in ten members of the big EPTU, it is undoubtedly the biggest break-through made among trade unions by private medicine. But when I talked to Derek Damerell, chief executive of BUPA, he dismissed the angry reaction of unions involved with the National Health Service as "a storm in a tea-cup."

"Why can't we take things in alphabetical order and leave Zimbabwe till the end?"

He said that other trade unions had negotiated BUPA arrangements for their members. When I asked him to name them, he declined. "Nearly 20 per cent of members of BUPA are trade unionists, either individually or in groups," said Damerell.

A typical reaction to the news of the EPTU deal came from Bernard Dix, assistant general secretary of NUPE: "It's a stab in the back for the NHS." Chapple could not be reached yesterday for details of his claims that several white-collar unions have made BUPA deals. He was said to be "visiting friends."

Bill McCall, general secretary of the powerful Institute of Professional Civil Servants, told me: "There is no question of our having ever negotiated BUPA deals with employers. Nor do I know of any union which has."

At the Blackpool congress, there will be a motion from the Confederation of Health Service Employees, calling on all unions "as a matter of principle" to discontinue any relationship with independent hospitals, and urging the TUC to co-ordinate a campaign against private health care.

Talking big

Connoisseurs of quangos should be alert to the imminent birth of unquestionably the biggest of them all. Not surprisingly, it will be in the United States.

This is President Carter's proposed Energy Security Corporation, to be launched later this year with assets of $88bn. The figure is more than the combined assets of General Motors and Exxon, and exceeds the gross national product of several sizeable European countries.

Like many quangos, the ESC will have an inherent contradiction—although the sponsors say it will be independent of government, there will be four presidential nominees on its seven-man board, plus the secretaries of the Energy Department, the Treasury and one other department as yet unnamed.

The mega-quango's job will be to try to make fuels out of coal, rotting vegetation and even rubbish. Sceptics say there should be an electric turbine harnessed to the hot air coming out of the boardroom.

Inside job

The prospect of being locked in a bank vault, with no means of calling for help, then gradually dying of suffocation or hunger has all the horror of an Edgar Allan Poe story. But I was a little cool towards the announcement by Chubb, the safe company, that it had devised a "life support system" for people trapped in vaults.

In real life, how many people are accidentally or deliberately shut into bank vaults—are there any known cases? Chubb were forced to admit that they did not know of any. "There have been three or four cases of people trapped behind the iron grills," said a spokesman doggedly. Still, £2,700 is not much for a machine that will keep up the oxygen supply and allow those trapped to contact the outside world. Moreover, the machine does away with air tubes which can give bank robbers an advantage.

I had scarcely heard these arguments before the news broke of the Marseilles robbery in which an ex-mercenary security guard stole up to $6m. How did he neutralise the other guards? By locking them in a vault.

Glassy guile

Wood-carvers and curio sellers should make a killing during intervals of the Commonwealth Conference in Lusaka. But if this warning can reach them in time, visiting journalists and political advisers eager to bring home a memento of Zambia should be very wary of the men who sidle up with bits of emerald.

In recent months there has been quite a lot of disruption—especially on the Copperbelt—because of vanishing traffic lights. Officials have threatened severe penalties against people caught stealing glass from the robots. Red and amber lights are untouched—the ones that disappear are the green for go.

The culprits, it has emerged, are the local street-corner "emerald" sellers. They have discovered that pieces from the robots are easier to foist off on unsuspecting customers than the chips from mineral-water bottles which in the past were their main source of revenue.

Proves something

A colleague last week telephoned a leading magazine for which he had written an article and spoke to a temporary secretary. "Can you let me have my proof?" he demanded. There was a long pause, then very suspiciously she replied: "Just what sort of proof do you want?"

Observer

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FINANCIAL TIMES SURVEY

Monday July 30 1979

Egypt

After 30 years and four wars Egypt has finally made peace with Israel — only to find itself in conflict with the rest of the Arab world. This Survey assesses the economic and political challenges facing the country and the prospects for a lasting peace.

Gamble with high stakes

By Roger Matthews
Cairo Correspondent

PRESIDENT ANWAR SADAT this year made his choice for Egypt—peace with Israel and, optimistically, the road to prosperity for his 41m people. "This is an exciting time," he said recently. "What you are witnessing is the creation of a new nation which will be a model for the Third World."

For the peasant sharing a single-room mudbrick dwelling with his animals, the urban office worker keeping a family of six on £25 a month and the property developers netting millions from the mushrooming luxury apartment and hotel buildings in Cairo, the President has promised that times are going to get better and that the sacrifices incurred by fighting four wars in 30 years are to be repaid.

In their enthusiasm to match Mr. Sadat's ebullience, his officials managed to record a scarcely credible 99.95 per cent referendum vote in favour of the peace treaty, although this should not be allowed to detract from the fact that the large majority of Egyptians are unmistakably pleased by what has happened. But as President Jimmy Carter, the main mover in bringing the treaty to fruition, is finding, foreign policy triumphs are no substitute in the longer term for successful economic policies at home. This is all the more relevant when the foreign policy triumphs are themselves subject to heavy qualification.

It is arguable that with every day that has passed since President Sadat went to Jerusalem in November, 1977, it has become more unlikely that any Egyptian leader would again be able to persuade his people to take up arms against Israel. In itself this might be seen, especially by the American administration, as sufficient justification for the peace treaty, whatever the problems it has caused in the rest of the Middle East.

Even without the encouragement given to Islamic fundamentalism by the revolution in Iran and the political vibrations this is sending throughout the Arab world, it is certain that the terms of the Egyptian-Israeli peace treaty would have been condemned by many countries in the Middle East. When combined with the remarkable U.S. and Egyptian insensitivity in explaining the Camp David accords to the more moderate Arab countries, especially the main Gulf oil producers and Jordan, this opposition has developed into a political and economic boycott of the Cairo regime which has far exceeded the fears of Mr. Carter and Mr. Sadat. The Palestinian siege of the Egyptian embassy in Ankara served as a reminder, too, that there are groups and states violently opposed to what Egypt has done. The Egyptian leader's own intemperate outbursts, directed particularly against the Saudi Arabian royal family, have exacerbated an already difficult situation.

With friends such as Mr. Menahem Begin, Israel's Prime Minister, President Sadat scarcely needs enemies. While Mr. Begin's policies and actions successfully drive away even the most moderate of Palestinians from the West Bank and Gaza Strip autonomy negotiations, which are the justification for calling the peace treaty a cornerstone for a wider Middle East settlement, so the possibilities of the Egyptian Government mending fences with the rest of the Arab world are reduced. Only Somalia, Sudan and Oman retain diplomatic relations with Cairo, and while not all the rest would like to see the overthrow of Mr. Sadat they are by default helping to weaken Egypt's already fragile economic base.

Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, has linked the latest OPEC price rises to the Palestinian issue and warned that the West's failure to pressure Israel into withdrawing from occupied Arab territories can but contribute to further instability in oil prices and supply.

At the same time Saudi Arabia and the other Gulf states, by cutting off the previous substantial aid flows to Egypt, are placing the responsibility for keeping Mr. Sadat afloat economically squarely on the shoulders of President Carter and the United States. In this process Mr. Sadat has been an eager participant and without reference to his Western partners has boldly announced a $15bn five-year "Carter Plan" to underpin Egypt's economic development.

So far the response of the U.S., together with West Germany and Japan, who are being asked to take up some of the Arab aid slack, as the two other main anticipated contributors, has not been enthusiastic. The U.S. has stepped up its $1bn in aid a year by a further $100,000 annually for the next three years, but there have been no new pledges from West Germany and Japan which are both heavily dependent on Arab oil. As the possible effects of the Arab boycott are beginning to be felt in Cairo, so the Government has for the first time shown real alarm.

In a working document circulated to the heads of government attending last month's Tokyo summit of industrialised nations, the Egyptian Government painted a sharply worsening picture of the economy and concluded: "Arab aid was helpful in development. If its absence causes delay in this process the hands of the rejectionist countries will be strengthened, a matter which might cause delay to the progress of peace."

What is needed, according to the Government, is $18.5bn over the next five years to be divided between project financing and commodity credits. Even allowing for the exaggeration aimed at spurring the Western Governments into increased generosity the balance of payments projections for 1979 are alarming and even incredible. They show a balance of trade deficit this year of $4.3bn compared with $3.3bn in 1978 and an overall balance of payments deficit leaping from $1.9bn last year to a staggering $5.4bn. These figures presume that exports will decline by about eight per cent, that remittances from Egyptian workers abroad and tourism earnings will together plummet by 50 per cent, or nearly $1.6bn, and that Arab deposits worth $1.9bn will be withdrawn from the Central Bank.

Should these predictions prove even remotely accurate—and western economic organisations take a view sharply opposed to that of the Government, which has begun to show signs of regret at their publication—then it would be fair to predict also either a radical shift in foreign policy by Mr. Sadat or his replacement.

Difficult

Equally difficult to comprehend is how Egypt anticipates being able to utilise $18.5bn over the next five years, knowing that Western Governments tie their aid to specific projects and only very rarely provide direct balance of payments support. Last year Egypt received just under $2bn in all forms of aid, and the main continuing problem for the donors was to employ the money already in the pipeline and to find sufficient attractive projects for future years. Some foreign aid officials estimate that at the moment Egypt can only realistically disburse aid at the rate of about $2bn without causing more serious inflationary pressures and embarking on projects that are not adequately prepared.

Until the past month Egypt's current external position did not seem one of its more pressing problems, but the latest balance of payments projections now put more emphasis on the stalled SDR 600m IMF facility and the bid to raise up to $300m on the Eurocurrency market, both of which would provide funds for direct balance of payments support. However there seems little possibility of Egypt being able to draw on the IMF until it takes more positive action to limit its

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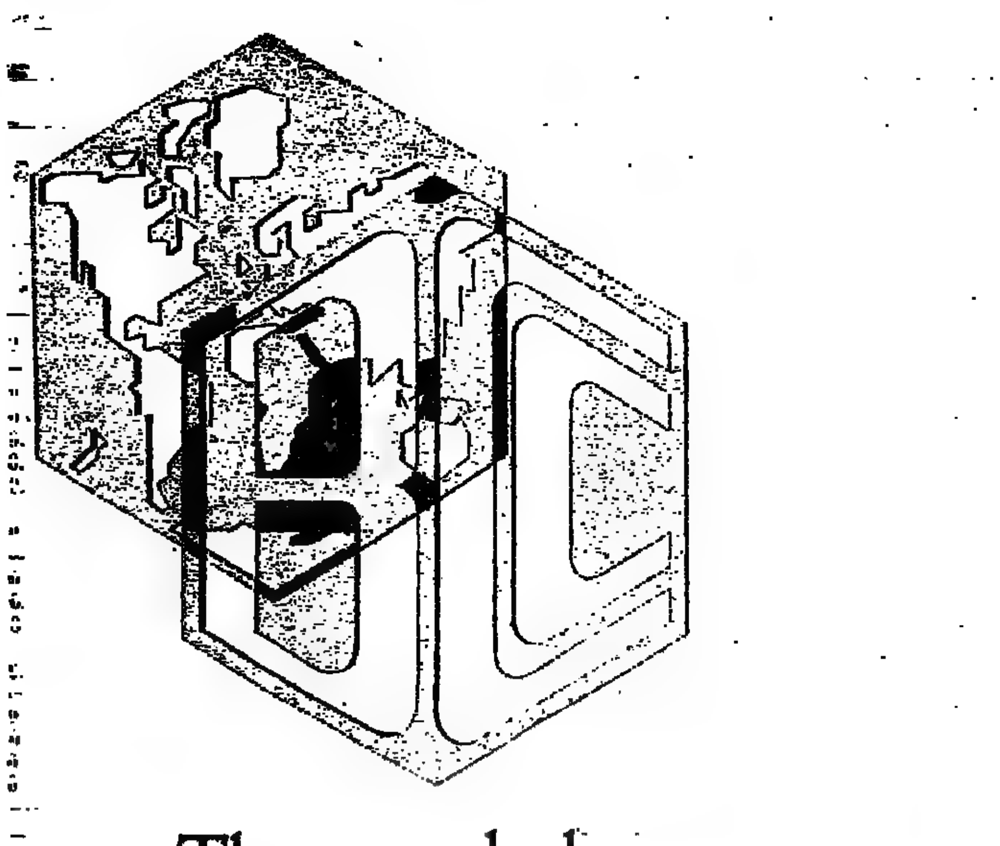
President Sadat with U.S. Secretary of State Cyrus Vance and Israeli Prime Minister Menachem Begin after their meeting in May



Politics

Experiment with power

LAST MONTH, the Government of President Anwar Sadat held elections billed as the freest and first involving full parties in Egypt since the overthrow of King Farouk in 1952.

They marked the third phase in Mr. Sadat's experiment with different forms of political representation since he succeeded President Nasser in 1970.

The first was the perseverance with the Arab Socialist Union (ASU), a largely unresponsive single party established by Nasser to control and direct political activities. Under the second, in 1976, permission was given to various political trends to form *manabir* or tribunes virtually semi-parties. There were three: of the left, right and centre. These contested elections in November, 1976 with the centre tribune—headed by the then Prime Minister—winning all but 48 of the 280 contested seats. Soon afterwards it was decided to turn these into parties.

Even at this stage a consistent trend in Mr. Sadat's party-making became apparent, for, then as now, the formally-constituted parties never truly coincided with political movements within the country. Indeed, Mr. Sadat discovered that by opening the political door to manabir he allowed the re-emergence of the Wafd party, a nationalist and opposition organisation dating back to the days of the monarchy. In spite of President Nasser's ban on political parties, its support had not been eroded over the years, and it thus threatened to evolve into a political force outside the Government's control (in January, 1978, it applied to the ASU, carrying out one of its residual roles, to become a full political party under the new rules of qualification). This, in turn, encouraged others to follow suit, throwing up another characteristic of Mr. Sadat's politicking and experiments with democracy. For it is apparent that in the end he wants only a system which presents no conceivable threat to his position, and which at best will offer friendly criticism.

To counter the possibilities of parties slipping from his control President Sadat makes wide use of the referendum to appeal direct to the people for support. In recent years he has had four, all with overwhelming results in favour of measures proposed:

- After the bread riots of 1977, 99.42 per cent approval to clamp down on opposition including public demonstrations and industrial strikes.
- May 1978, 98.29 per cent approval to curtail parties outside the system, effectively the Wafdists, Nasserites and Communists. (In June the neo-Wafdists dissolved themselves.)
- April 1979 two: the first gave 99.95 per cent approval of the peace treaty with Israel; and the second gave 99.90 per cent approval for the dissolution of Parliament.

Artificial

In many ways the circumstances of this year's elections were artificial. On the basis of the argument that because the people had spoken in support of the peace treaty through the referendum, this topic was not allowed during canvassing. In addition, discussion of issues affecting social harmony (a move against the Right-wing Moslem Brethren) or national unity (here the target was the Communists) was banned. Through inspired bureaucratic delays, such parties as the National Front (pro-Islamic and anti-Sadat), and the International Progressives (independent) were unable to register on time. In many areas, the canvassing was followed with passionate interest, but there is little doubt that ballots were rigged, and that potentially troublesome but widely popular candidates mysteriously failed to be elected.

But President Sadat had his way. Of the 382 contested seats his National Democratic Party (NDP), won 302, the faithful opposition Socialist Labour Party (SLP) led by Mr. Ibrahim Shukri, a former Agriculture Minister, 29, and the Socialist Liberals on the right three. To protect minority interests, particularly those of the Copts, 10 additional members were appointed, and the election of 30 women, the highest number ever (and all but two NDP supporters) was assured. (The old Nasserite balance of 50 per cent of the seats being held, in theory at least, by "workers and peasants" was retained.)

In el-Sha'ab of June 19, Mr. Shukri wrote that "I would hasten to admit that the great majority was going to be for the NDP but not by this overwhelming number and not by those members said to represent (that party). Similarly, the other parties and independents were going to represent the minority, by all means, but not this meagre minority." He went on to criticise the role of the regional governors and their intervention on behalf of NDP candidates, and complained that the SLP would under normal circumstances have won more seats, but that this "will not prevent us playing our role fully in this historic stage of our country."

The most significant result was the total elimination of the left-wing Unionist Progressive Party (UPP), led by Mr. Khaled Mohieddin, a former "Free Officer" with Nasser. He and the only other UPP member of parliament lost their seats and all 29 other candidates were defeated. What has emerged is a parliament with occasional lively debates, but largely submissive, through the predominant NDP, to President Sadat's wishes.

It is characteristic of the President that he should have gone for overkill in holding the first "free," multi-party elections. It is incongruous, first, because as a result of the peace treaty with Israel and the possibilities of some economic prosperity, he is genuinely and widely popular. Second, with loyalty as a prerequisite, his supporters run most of the main institutions in Egypt—the armed forces, the universities, al-Azhar mosque, the newspapers, the provinces and the Suez Canal.

Thus it would seem that there might have been leeway to permit even a 5 per cent expression of criticism of the treaty, which was, after all, a highly controversial measure. In acting thus, President Sadat had several motives. First, he wanted to ensure that he obtained a firm mandate while the euphoria of peace was still strong and before domestic economic problems accumulated. Thus the election was held two years before it was legally required. Second, he was anxious to show the international community that Egypt was the most democratic state in the Arab world, and that it therefore merited Western and, in particular, the outright support of the U.S. Third, the elections were symptomatic of a genuine liberal streak which allows of a certain measured area of free expression.

The fact is that this third stage of Sadat's political experiment, although presented in more sophisticated terms than before, is as little representative as previous efforts. There are perhaps three most clearly identifiable trends in Egypt at present. The first is the Moslem Brethren, with its own mouthpiece the weekly al-Da'wa ("the call") whose circulation is at least 50,000. Sadat's own personal piety has certainly given them the impression, strengthened undoubtedly by persistent moves to clamp down on the left, that they hold a favoured position beyond the one they have had in Egyptian society for decades. This has led to a number of anti-Coptic incidents this year. The Moslem Brethren, who have a dominant following in the universities, have been given a further boost by the Islamic-led overthrow of the Shah of Iran. By virtue of their Islamic nature they favour pan-Arabism, and are therefore hostile towards policies which have led to Egypt's isolation in the Arab world and the apparent abandonment of East Jerusalem to Israeli occupation. Finally, Islamic values provide in their fundamentalist form a cushion for ordinary people against the stresses of a run-down economy, over which the Government in popular terms has appeared to have little, if any, control.

Sovereignty

The second force is represented by those nationalists concerned with the infringement of Egypt's sovereignty caused by the treaty. Within Parliament—and before its dissolution—they were personified by such men as Mr. Mumtaz Nassar, who argued this case on strictly legal grounds. In broader terms, such a trend reflected the views of middle-of-the-road opposition, who doubted the extent of the benefits which would accrue to Egypt and the Arab world, as a whole, from the treaty. Third, there was the Left, largely represented by the UPP, but bringing with them Nasserites, Marxists and those religious elements critical of Sadat's policies generally, and the treaty in particular.

What is likely to be the result of the lack of parallelism between official political parties and these more spontaneous trends? There is always the risk that they will be driven underground, as Mr. Khaled Mohieddin claims is Sadat's intention. But at this stage, opposition — although in Moslem Brethren terms sometimes deeply felt and emotional and, in others, logically based and with such outlets as the UPP newspaper al-Ahali, "The People," which claimed a readership of 150,000 (now defunct after repeated bannings) does not represent the feelings of the majority. In addition, in as much as it is possible to gauge the feelings of the armed forces, Sadat appears to have their crucial support. This is because the army is probably a broad reflection of feelings in the country as a whole and in spite of the fact that one section, the air force, has been disappointed at the failure of some promised arms deliveries.

President Sadat, seen in the context of other previous rulers of Egypt, shares with them the trait of being basically unwilling to share power. But the new element he has introduced has been to involve the village and its values as the source of political inspiration. His predecessors tended to start from the more political urban centres and move out to the countryside. This theme of rural values runs parallel with his presentation of himself not so much as a ruler of the country, but rather Father of the Egyptian Family.

A crucial difference between Sadat and Nasser is that mukhabarat—the internal intelligence services—although still active are not so openly pervasive and oppressive. The Sadat approach is to put a gradually stifling blanket over potential opposition. This exercise has now been completed with Parliament. Attention is now being paid to bring the Press legally into line—officially codified as the "fourth estate." Over the years, its most opinionated and often critical writers have been eased out (although in many cases they still remain on the payroll of al-Ahram). As a result the Press has become so anodyne as to be hardly worth more than cursory perusal. This is to be carried further by an amendment to the constitution which will transfer ownership of the Press from the ASU (which will finally be laid to rest) to a Higher Press Council. This, it is feared, will bring newspapers ultimately under closer Government control. In addition, it is being proposed that a higher house of parliament—Maglis al-Shoura ("the consultative council")—should be introduced. al-Akhbar on July 15 said that this will comprise 150 members, of whom 88 would be appointed.

The Sadat approach to domestic politics is in the end a reflection of his often simplistic and sometimes inspired way of tackling problems — whether relations with Israel, the U.S. or the Soviet Union or the economy. Those who do not make themselves out clearly in the end to be with him are judged to be foes. And President Sadat's instinct—ever since the Left tried to challenge him in 1971 within months of President Nasser's death—has always been to take measures to consolidate his position ahead of time.

Anthony McDermott

Gamble

CONTINUED FROM PREVIOUS PAGE

rising and highly inflationary budget deficit, and Western banks appear to have become more hesitant in assisting Egypt for fear of offending more affluent Arab customers.

Meanwhile, the vast gulf between what Mr. Sadat promises the people and what is being told to the industrialised nations is the clearest example of his political dilemma. Striding magnificently across the world stage as first "the hero of the crossing" (October 1973) and then as "the hero of peace" Mr. Sadat was able with Arab and U.S. assistance to disguse his admitted lack of interest in economic matters and avoid making politically difficult decisions. Only once, in January 1977, did he briefly attempt to grasp the budgetary nettle by cutting subsidies on some essential commodities. On that occasion he was so badly stung by two days of bloody rioting that he is obviously reluctant to try again.

Impractical

Since then the official view has been that policies advocated by the IMF are theoretically possible but politically impractical. Some small efforts have been made to increase Government revenue and to control public spending, but their impact has been minimal when set alongside a population that is growing by over a million every year. Despite all the official pronouncements about making the desert bloom, Egypt's cultivatable land area is scarcely increasing, while improved cropping techniques and more modern technology cannot be expected to produce anything more than a fraction of the extra food needed each year. There is simultaneously a steady drift from the countryside to the main urban centres which is imposing an ever more massive burden on the crumbling infrastructure of the cities. Add to this the need to produce tens of thousands of new jobs and housing units every year and it is not surprising to hear even relatively apolitical people discussing the possibility of more emphatic and perhaps radical policies.

Domestic critics of Mr. Sadat argue that he has dissipated the oportunities presented since the 1973 war when Arab funds flowed strongly into Egypt and the "Open Door" economic policy, designed to attract western capital, offered a real opportunity to develop a manufacturing base. They cite the all-pervading bureaucracy, the unchecked competition between ministries, the lack of a consistent decision-making process and the insidious and widespread practice of having to smooth difficulties with off-the-record payments, as the main contributing factors to Egypt's apparent inability to grasp the opportunities offered.

The formation of a new majority political party under President Sadat and the recent "multi-party" general election —held two years before it was due — were supposed to give the country that extra impetus it needed to meet the challenge of the 1980s. Yet the new Parliament looks much like the old one, and while Egypt may fairly claim to be the most politically liberal of all Arab nations, there was nothing much in the elections to suggest they had been modelled on democracy as it is understood in the West.

When the Egyptian Press gives almost as much prominence to the defeat of the only two members of Parliament from the Left-wing unionist Progressive Party as it does to the totally assured victory of Mr. Sadat's National Democratic Party, it might be assumed that the election was as much about who was defeated as to who was elected. Only one MP, Mr. Numtaz Nassar, who had voted in Parliament against the peace treaty survived the election. His votes were counted under the watchful eye of his supporters, armed with sub-machine guns. Only perhaps in the rather wilder countryside of Upper Egypt could that occur — elsewhere the official machinery was well in control.

Mr. Sadat has not so far produced the "Government of Peace" that had been expected, and the Prime Minister, Dr. Mustafa Khalil, retained his second portfolio as Foreign Minister in the minor Cabinet reshuffle that followed the parliamentary elections. The keen interest that Dr. Khalil is showing in foreign policy and his leadership of the team negotiating Palestinian autonomy has disappointed those who had hoped he would devote more of his time to domestic issues, but is consistent with the Prime Minister's reported belief that the Government's domestic strategy cannot be finally decided until all of Sinai returns to Egyptian sovereignty in about three years' time.

The aim of President Sadat is thus probably to do nothing to rock the boat at home while reaping the undoubted kudos that accrues to a man who has first proved that the Israeli Army is not invincible, second, brought peace with the enemy and third will have regained all occupied Egyptian territory with military honour. If at the same time Mr. Sadat, with the aid of the Western countries and some acutely applied pressure from the oil producers can push the Israelis into conceding something for the Palestinians that can at least be presented as putting them on the road to autonomy, then he obviously hopes that a rapprochement can be effected with Saudi Arabia and the other more moderate nations.

Meanwhile he can offer himself and his still very powerful armed forces as the region's main bulwark against the spread of Communism and, especially if there is greater instability among the so-called rejectionist states, as the one really stable force in the region. And, as he is quick to point out to the West, should more sizeable oil fields be discovered in the western desert or the gulf of Suez, the supplies would be guaranteed.

In this overall aim he is of course banking heavily on his assessment of the Egyptian people—long suffering, fatalistic, mainly smiling, usually tolerant and above all cynical when it comes to their leaders' words. But now, instead of being told to make sacrifices for the struggle against Israel, they are listening to a man who promises them rewards for what they have achieved. Instead of occupying the leading role in the Arab world they may have to face being just another poor country battling for a share of the world's resources. Instead of blaming Israel for all their woes they may have to find another scapegoat and may not find the one they are being offered—the Arabs—altogether acceptable.

President Sadat is as ever gambling heavily just as he has done with success for the past nine years. This time the stakes are a little higher, the problems rather greater, and he is leaning very heavily on the U.S. whose ability and will to support its friends in the region now look very much less than they were.

The economy

Scepticism remains

EGYPTIANS ARE on the whole too cynical about the promises of their rulers to assume that immediate economic prosperity will follow the signing of a peace treaty with Israel. There have been too many years of hard grind with few of the basic day-to-day problems—crowded *housing and streets, rising food* costs and overstretched public services—being solved.

Over the years, they have had to experience President Nasser's centrally run economy and, since 1974, President Sadat's "open door" policy with its emphasis on encouraging the private sector and foreign investment. So it does not come easily for people to believe that an end to their perpetual distress is round the corner.

Nevertheless, there is no doubt that expectations have been aroused. Further, if the peace treaty holds, the Government will no longer have the slogan "everything for the battle" as an excuse for not tackling domestic problems. For it is clear that unless the Arab boycott bites harder, the Egyptian Government broadly has the external part of its economy within manageable bounds.

It is the domestic economy with all its traditional problems—an enormous population growth rate, lack of co-operation between economic ministries, an inefficient public sector, inflation, falling agricultural production and uncontrolled budget deficit, and swollen *cities—which is being mis-*handled most.

Egypt's economy is at present under pressure from two sides. The new factor is the Arab boycott first set up in principle at the Baghdad summit of November last year and then put into practice at the second summit at the end of March. The old factors have always been around.

One of the major problems is that Mr. Sadat is not deeply interested in the economy, and tends to over-politicise most major economic exercises. The June Tokyo summit was a case in point. After the peace treaty with Israel, Mr. Sadat felt with some justification that Egypt deserved a financial reward, particularly as he was being threatened by an Arab boycott. So in the spring work began in the Ministry of Economy and Economic Co-operation on a paper to be presented to the Tokyo participants entitled "Statement of policy and requirements for external assistance."

What emerged was, frankly, a slapdash document which ministers apologetically now call a working paper, full of inconsistent statistics and doubtful *economic conclusions. It was* presumptuous, too, of Egypt to assume that the summit would have time to discuss its plight. In the end, President Carter raised the matter bilaterally with individual Heads of State.

Startling

Most of its conclusions were startling. They were, first, that as a result of the boycott imports from Arab countries would fall by 3 per cent and exports by 12 per cent.

- That half the \$2bn deposits with the central bank mainly from Saudi Arabia and Kuwait had been recalled.
- That remittances from Egyptian workers abroad worth \$1.7bn in 1978 and tourist receipts would be reduced by half.
- That the investment potential of the Arab Organisation for Industrialisation (AOI) of \$1.5bn had been lost because of its dissolution.
- As a result of the halt of Arab aid since January and the withdrawal of deposits, taken with other factors, the overall deficit of the balance of payments would rise from a projection for 1979 of \$1.9bn to \$5.4bn.
- And that for the 1979 to 1983 plan (significantly now called a "rolling plan" to indicate that it now merely operates on a year-to-year basis) Egypt's foreign exchange requirements would total an enormous \$18.5bn.

With belated accuracy the document is now acknowledged to be no more than "a worst case situation." The reality of the effects of the boycott—subject first to two particular variables, one being the growth rate and the other the extent to which the Arabs will take the boycott further and do serious damage to the economy—is that the balance of payments deficit has probably been overstated by a multiple of two.

Nevertheless, is it worth looking at the main pillars of Egypt's economy to see how they are being affected:

1—The Suez Canal is unlikely to be affected unless the Arabs in extremis decided to boycott it—its earnings this year are likely to reach \$550m.

2—Tourism has been affected by a decline in the number of Arab tourists (a phenomenon which had started before the boycott) and its earnings may be down slightly to \$750m.

3—The Baghdad summit specifically ruled out action against Egyptian workers, but it is expected so far that remittances will be down only slightly on 1978's figure of \$1.7bn. However, any large reduction—for example, the imposition by host countries of a tax on remittances—would be a serious blow.

4—Oil income is expected to be slightly up and to reach in net terms about \$0.85bn.

5—Aid and investment. Private Arab investment is hard to quantify and is so far unlikely to have affected projects already in existence; however the urban housing and tourism sectors could be affected. Since 1975 total Arab aid has been about \$7.5bn of which \$6.4bn has been dispersed, giving a rough annual disbursement of \$1.6bn a year. New bilateral assistance is unlikely.

However, the major blow has been the dissolution of the AOI set up in 1975 with capital of \$1.04bn and subsequent investments of \$1.5bn. The capital was shared between Egypt, Saudi Arabia, the UAE and Qatar for the development of an arms industry. It was a model of pan-Arab co-operation married to Western technology.

Egypt has vowed to continue it as an Egyptian enterprise and has tried to get the World Bank to act as an arbitrator with the Washington-based International Centre for the Settlement of Investment disputes.

Contracts with American Motors for the production of Jeeps and with British Aerospace for the Swingfire anti-tank missile are well advanced, but agreements said to be worth \$800m with Westland and Rolls-Royce for the manufacture and assembly of Lynx helicopters and their engines seem doubtful.

6—Deposits. The terms of the Saudi and Kuwaiti deposits differ but under the terms of agreement reached in 1977 all parties agreed that the deposits would be rolled over and not withdrawn. In January when *one Kuwaiti instalment* fell due Egypt asked for it to be rolled over and has assumed that no reply meant assent. In any case the fact remains that these deposits have been spent and were they called Egypt would have considerable difficulties in replacing them.

7—Trade. This is likely in Arab terms to affect only foodstuffs and manufactured consumer items but would have a long-term effect only if markets were lost. But investment in and growth of exports from the country's four free zones which were established on the premise of easy access to Middle East markets might be slowed down.

8—Aid. It is here that the greatest controversy exists. Egypt's demand for \$18.5bn is particularly ambitious as it is reckoned that the economy is unlikely to be able to absorb between 1979 and 1983 more than \$12bn. This would depend ultimately on the rate of growth of the economy and the balance between commodity imports and the absorption of project aid.

Deficit

The net effect of this estimate is that Egypt's balance of payments is likely to deteriorate but not nearly to the extent to which the Economy Ministry has forecast. At present it is reckoned that the deficit will reach between \$1.5bn and \$2bn this year and remain at \$2bn for 1980 and 1981.

In direct relation to this the World Bank made a study in the spring—admittedly before the Arab boycott had gathered strength—in which it estimated the shortfall in foreign capital inflows over the next three years at \$260m in 1979, \$550m in 1980 and \$660m in 1981. These are not in themselves unmanageable and could probably be met by new aid commitments which would largely have to be commodity aid to ensure maximum disbursement.

A more recent World Bank assessment of the foreign exchange shortfall puts the "worst" case impact in 1980 at \$2.9bn and the "more likely" case at \$755m (without taking into account the effects of any compensating actions such as increased aid from non-Arab sources).

On the domestic side the picture is gloomier, for it is here that Mr. Sadat in the end stands or falls. The link between the external and internal economies of Egypt lies in the sensitive question of subsidies. These were mainly set up by Nasser with plausible social objectives in mind but have subsequently taken on a controversial political and economic life of their own.

This has meant on the one hand that when on the advice of the IMF in 1976 they were reduced on basic commodities, notably bread, they resulted in massive countrywide riots at the begining of 1977 which scar the memories of the administration to this day.

Egypt has shown increasing inability to control the expansion of these subsidies—both the direct ones (for example, on bread) and the indirect (for example, a flat rate for provincial students' board when studying in Cairo). Together these two forms of subsidy coincide almost exactly with the budgetary deficit.

Direct subsidies have risen from E£1.023m in 1978 (£1=E£1.56) to E£1,117.3m in 1979's budget which had a total expenditure of E£12.93bn. But the *IMF* and the Government are now quarrelling whether these subsidies will not now be E£1,230m, the Egyptian estimate, or E£1,550m—the IMF's—resulting in a total deficit of between E£2.5bn and E£2.9bn—way above the ceiling set by the IMF. Of these subsidies foodstuffs take E£884.6m.

But in spite of the opposition of the IMF which has apparently given up the unequal struggle for this year although it will be deeply involved in the autumn in the formulation of the 1980 budget, Ministers des*pair of being able to reduce* these subsidies next year and talk merely of "rationalising" them.

Meanwhile, Egypt has said it would conduct a major examination of the question of subsidies and has entrusted Mr. Abrahim Hilmi Abdel-Rahman a prime ministerial adviser on economics to conduct the exercise. So far according to one senior Minister, he has completed six volumes tracing the history of subsidies and calculating their effects on Egypt's economy.

But according to other sources volume 7, which is supposed to contain all the solutions, is likely to be little more than a characteristic submission by all the Ministries deepest affected by subsidies as to how they see their priorities. Little overall guidance is likely to be given.

It must be said though that Egypt has carried out from the beginning of this year one of the IMF's conditions by unifying the exchange rate of the Egyptian pound by moving it from the official to the more realistic parallel rate against the dollar. This may have one immediate effect of making statistical calculations less confusing now, although it has had some contributory effect on the rate of inflation which is currently reckoned to be running at about 25 per cent. It has also led to about \$1.5bn of hard currency moving out of the Central Bank's control on to the black market.

In the end, any Egyptian Minister or economist has very little room for manoeuvre, unless the subsidies are slashed brutally, and the political backlash from such an action would be such that the regime might be brought down. For in the structure of the budget on the expenditure side, administration defence and investment not only take up almost all funds but are largely unalterable.

On the income side besides the question of inflow from abroad and local financing little improvement can be made as yet in raising revenue, particularly until tax collecting is tightened. So that with little change a fall in expectations and under the impact of the open door policy which has brought about an unprecedented and visible growth in the unevenness of income distribution the home base on which Mr. Sadat's dramatic foreign policy could be disrupted.

Anthony McDermott

BALANCE OF PAYMENTS
(US\$m)

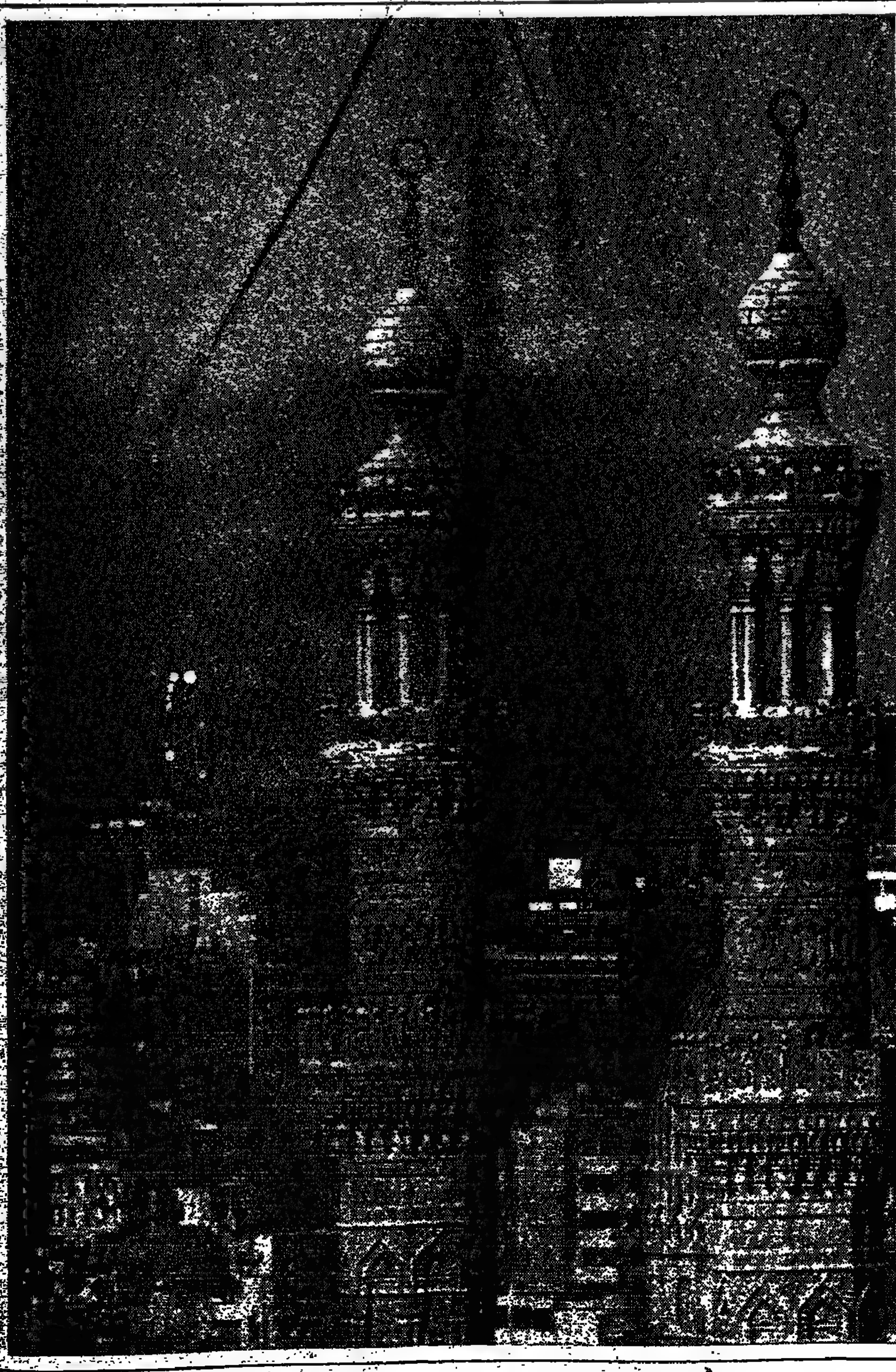
	1978 Actual (1)	1979 Projection (2)	1979 Adjusted projection (3)
1 Visibles			
Exports	1,984.0	2,400.0	2,200.0
Imports	−5,283.5	−6,700.0	−6,500.0
Trade balance	−3,299.5	−4,300.0	−4,300.0
2 Invisibles			
Receipts	3,445.7	4,275.0	2,700.0
Payments	−1,420.4	−1,600.0	−1,600.0
Balance	2,025.3	2,675.0	1,100.0
3 Balance (1+2)	−1,274.2	−1,625.0	−3,200.0
4 Transfers	345.1	50.0	50.0
5 Balance (3+4)	−929.1	−1,575.0	−3,150.0
6 Capital inflows	2,386.1	1,900.0	5,375.0
Debt repayments	−1,333.2	−325.0	−2,225.0
Net capital inflows	1,053.1		
7 Overall surplus (5+6)	124.0	—	—

Source: Ministry of Economy and Economic Co-operation

GROSS DOMESTIC PRODUCT AT CONSTANT PRICES BY SECTOR, 1975-78
(E£m at 1975 prices)

	1975	1976	Prelim. 1977	Proj. 1978
Commodity sectors	2,753.8	2,951.0	3,175.0	3,398.0
Agriculture	1,468.5	1,491.0	1,490.0	1,561.0
Industry and mining	849.5	918.0	1,001.0	1,083.0
Petroleum	149.0	220.0	324.0	378.0
Electricity	71.9	78.0	86.0	89.0
Construction	214.9	244.0	274.0	287.0
Distribution sectors	882.4	1,074.0	1,176.0	1,395.0
Transportation, communication and storage	208.6	274.2	315.3	373.0
Suez Canal	37.5	137.8	159.7	172.0
Trade and finance	636.3	662.0	701.0	850.0
Service sector	1,142.6	1,243.0	1,354.0	1,424.0
Housing	130.0	136.0	144.0	149.0
Public utilities	19.0	22.0	22.0	25.0
Other services	993.6	1,085.0	1,188.0	1,250.0
GDP at factor cost	4,778.8	5,268.0	5,705.0	6,217.0

Source: Ministry of Planning.



Foreign policy

Ambitious objectives

EGYPT'S FOREIGN policy objectives under President Anwar Sadat can be roughly divided into six closely interlinked categories: peace with Israel; the return of Egyptian and other Arab land occupied by Israel including East Jerusalem; a just solution to the Palestinian issue; continued "leadership" of the Arab world; close relations with the West; and the prevention of further Soviet and Communist influence in the Middle East and Africa.

In the President's mind none of these objectives are mutually exclusive and, despite recent policy setbacks, he clearly believes that it is only a matter of time before Egypt reassumes its rightful position in the Arab world, having also achieved the return of Sinai and set the Palestinians on the road to autonomy. As Mr. Sadat regularly reminds his Egyptian audience, "there can be no peace without Egypt and there cannot be war without Egypt." An equally popular comment heard among Egyptians—that the Arabs have always been willing to fight to the last Egyptian—is another reflection of the main shift in emphasis between President Sadat and the late President Gamal Abdel Nasser. Instead of Nasser's pan-Arabism there is now Mr. Sadat's attitude of "Egypt first," a mood that he has increasingly encouraged as the rest of the Arab world turned against his peace overtures to Israel.

As one of Mr. Sadat's former aides points out, one should not listen to the President's words but try to discern his ultimate objectives. It can be argued that relatively early in his presidency, Mr. Sadat decided that, for his country's economic welfare, peace had to be achieved with Israel, and the October 1973 war was fought with that in mind. Since then all Mr. Sadat's actions have been consistent with that aim, even if their timing has been strongly influenced by other factors.

However, in the years since oil was $3 a barrel political weight in the Middle East has become more evenly dispersed, and countries over which President Nasser could exercise his charismatic power are far less amenable to the blandishments of Mr. Sadat. Egypt, from having been the country which gave birth to Arab nationalism and whose military weight was a vital factor, is now more often cast in the role of supplicant. In the first years after the 1973 war Egypt probably had the right to expect significant financial assistance from its Arab friends who were made immeasurably richer by the conflict, but even before the peace treaty with Israel there were clear signs that Egypt's main benefactors were becoming restless with the apparently bottomless well into which they were pouring their funds.

Switch

This coincided with Mr. Sadat's more determined switch to close alliance with the United States, which he saw as the one country which had the wealth, arms and technology to lift Egypt out of its downward slide. While President Naser had not been fiercely anti-American and liked to see the super powers competing for influence in Egypt, the fact that after the 1973 war Egypt no longer needed, according to President Sadat, quite the same military strength made the transference from East to West easier to achieve. Perhaps as relevant is Mr. Sadat's own strong personal dislike of the Soviet Union, a feeling that is echoed in other Arab countries which ironically, because of the Egyptian-Israeli treaty have become yet more dependent on Moscow.

The Arab summit meeting in Baghdad last November, at which Saudi Arabia declined to play its more normal moderating role, should have provided evidence for President Jimmy Carter and Mr. Sadat that the Camp David accords which laid the framework for the subsequent peace treaty fell far short of Arab demands, and, more than that, the rest of the Arab world was not going to sit idly by while Egypt followed a policy, which could affect internal stability in other hitherto friendly countries.

If any further confirmation was needed King Hussein of Jordan—that most accurate of all Middle Eastern weather vanes—came out strongly against Camp David and refused to accept the role that the U.S. and Egypt had selected for him. Now with 18 Arab states and the Palestinians having broken relations with Egypt, and the Cairo Government having been expelled or suspended from most Arab organisations, the Arab League headquarters having been moved from Cairo to Tunis and an economic boycott having been imposed, those voices within the Egyptian Foreign Ministry that forecast a rupture with the rest of the Arab world are being proved correct. And Mr. Sadat, having lost two Foreign Ministers along the path to the peace treaty, has not opted for a third but given the portfolio to Dr. Mustapha Khalil, the Prime Minister.

In their persistent search for an easing of Arab attitudes, Egyptian officials claim that the last Arab League meeting in Tunis saw a more sympathetic Saudi Arabian attitude towards Egypt. Efforts by the "rejectionist" states to discuss further measures against Egypt were forestalled, although that may also have been due to Saudi advice that the boycott was already doing its work, as witnessed by the latest gloomy economic prognostications coming out of Cairo. Whatever cooling of tempers may take place in the next few months there is no doubt that the fires will be stoked again early next year when the first Israeli ambassador takes up residence in Cairo. Some Egyptian officials believe the moment that happens the great majority of Arab countries will be unable to contemplate resuming diplomatic relations with Cairo, unless of course Israel withdraws from all Arab territory, including East Jerusalem, and allows the Palestinians full autonomy. If their assessment proves correct then it would seem one of Egypt's main foreign policy objectives will have to be abandoned for at least so long as Mr. Sadat remains president.

This, however, presumes a consistency of policy which is not one of the hallmarks of the Arab world. Should Israel prove intolerably obstinate over making any concessions on Palestinian autonomy, Mr. Sadat could presumably have the option of declaring the peace process null and void, although it is widely assumed that he would only consider this once he has recovered all of Sinai, and that will not happen under the terms of the treaty for another three years. Early in 1980, Israel will have withdrawn from two thirds of the peninsula, but it is important for Mr. Sadat to be able to show the rest of the Arab world that he has recovered all Egyptian territory, and it is equally important for his personal standing at home.

Until that happens Mr. Sadat's room for manoeuvre in the Arab world appears heavily circumscribed, although he may hope that internal tensions among his most vigorous opponents, such as Syria and Iraq, could both divert their attention away from Egypt and emphasise to the other more moderate countries that Egypt remains their most assured and steadfast ally in the region. Mr. Sadat is also keeping a close eye on the Libyan border near which he has two army divisions stationed, ready if necessary to teach the "mad Libyan boy"—as he describes Col. Moammar Gaddafy—a sharp lesson. According to the Libyans and other Arabs it is they who have to be on the alert for an unprovoked Egyptian attack across the border, a move they say that would be undertaken with Israel protection on the eastern flank and as a means of diverting Egyptians' attention from their domestic problems.

However, part of Egyptian reasoning is that by keeping a large number of Libyan troops tied down near the border, Col. Gaddafy will have fewer men available for adventures in Africa, an area over which Mr. Sadat also wishes to exercise some influence. The Soviet presence in Ethiopia, the threat posed to Somalia and possibly to Sudan, are never far from Mr. Sadat's mind, and one of his reasons for building up a sizeable force of troops transport aircraft is at least to suggest the possibility of military supply, or even intervention, in support of friendly regimes.

Mr. Sadat would view with particular alarm any change of regime in Sudan, and there is some evidence that Iraq in particular has considered that one of the most effective ways of attacking Egypt would be through change in Khartoum. Egypt and Sudan are supposed to be moving towards a form of union, although President Numeiry has not seemed to encourage the process since the peace treaty was signed. Should Sudan join the 18 Arab countries that have broken relations with Egypt this would complete the physical isolation of Egypt.

Consistent

The one really consistent element in Mr. Sadat's foreign policy has therefore to be the U.S., which alone at the moment can provide Egypt with the substantial economic aid that it needs, plus military hardware to keep the senior officers happy, and most important of all the potential for impressing on Israel the need to implement by UN resolutions 242 and 338. Unfortunately for President Sadat, Mr. Carter's domestic popularity has fallen to below that of President Nixon at his lowest ebb, and next year Washington will be preoccupied with the race for the presidency. Mr. Robert Strauss, President Carter's special envoy to the Middle East, has the reputation of being an impressive negotiator, but it must be doubtful whether those talents alone can compensate for his newness to the region and the fact that Israel, having agreed to leave Sinai, will be ever more adamant that it will not open the door one inch to anything that looks as if it might one day turn into a Palestinian state.

Western Europe and Japan meanwhile may have their doubts about Mr. Carter's policies, are looking anxiously towards securing their oil supplies and must be wary of becoming too closely identified with President Sadat. The one new friend that Mr. Sadat does seem to have discovered is China, which, ever anxious to tread on Russian toes, is supplying Egypt with up to 90 of its F-6 and F-9 fighter aircraft and have received in part payment one of Egypt's Soviet-built MIG-23 fighters.

Roger Matthews

Aid

Few good projects

PRESIDENT SADAT'S skill at raising foreign aid must be reckoned one of his outstanding qualities. Throughout his term in office the President has succeeded in finding the external finance, first from the Arabs and now from the western democracies, to counter a succession of ever increasing trade deficits.

Of late, Mr. Sadat has encountered much criticism from many quarters for provoking the cut-off of Arab funds to Egypt. But, from another perspective, his coming to terms with Israel was a shrewd move that strengthened his claim on massive long-term development assistance from the U.S. Agency for International Development (USAID), the World Bank and other institutions. For the Arabs lacked the technical capability and perhaps the political inclination to make the type of contribution to Egyptian economic growth that Mr. Sadat hopes to obtain from the West.

With a $1bn allocation for fiscal 1979, the U.S. is running the largest and most far-reaching aid programme in Egypt. It contributes half the country's regular annual inflow of aid. USAID's activities involve almost every sector of the Egyptian economy except the military. The 1979 budget breaks down as follows: $250m food aid, $250m concessional financing for Egyptian imports of U.S. products, and $500m project and technical assistance.

The U.S. is spending heavily on Egyptian industry and infrastructure. The U.S. Egyptian project pipeline will approach $1.5bn by the end of this year. Areas of concentration include water, sewage, telecommunications, power, grain storage, ports and cement production. As USAID funds are tied to purchase of U.S. goods and services, these projects benefit American equipment makers, designers and engineers as well as Egypt. USAID-Egypt employs an estimated 500 American consultants in Egypt.

The U.S. tries to do more than just pump money into Egypt. It is making a serious effort to encourage rationalisation of the Egyptian economy and development of its institutions. USAID often works closely with the World Bank toward this end. For example, in their loan agreements for power installations both agencies require the Egyptian Electrical Authority to raise the current heavily-subsidised utility rates to a point where the newly-installed plant stands a chance of financing its own maintenance and replacement. In another economic reform measure, USAID insists that U.S. funds turned over to the Egyptian Government be re-lent to industry at near commercial interest rates.

Strides

USAID is also making strides in the field of investment banking for the private sector. Before USAID's involvement almost no medium term bank funds for private companies existed in Egypt. USAID has spent $32m on capitalisation and technical assistance for the Development Industrial Bank. Mr. Donald S. Brown, the USAID-Egypt director, hopes the bank will become "a major conduit for resource flows" to private companies. Mr. Brown also envisages a 25m "private sector encouragement fund" to be channelled through private banks. In an interview Mr. Brown said that he aimed, "for some useful impact on stimulating private investment. My interest is impact on small- and medium-sized Egyptian ventures . . . our fund would help share the risks."

USAID is also innovating in the housing finance field. A planned new town in the desert near the industrial city of Helwan will offer factory workers "the first low-cost mortgage loans in Egypt."

The World Bank is the only other development agency operating with anything like USAID's scope in Egypt. The bank plans to raise its funding level to $270m in 1979. One of its largest commitments will be a $65m loan for a $130m liquefied petroleum gas plant at Ras Shuquair on the Gulf of Suez. The bank also plans to provide at least $85m financing for a $475m power plant in the north Cairo district of Shubra el Kheima. USAID will spend $100m on the Shubra el Kheima generator.

The bank has played the lead role in Egyptian agricultural development. Its Egyptian tile drainage programme is the world's largest. In contrast USAID's contribution to Egyptian agriculture has so far been modest. But this year the agency plans to commit $100m toward President Sadat's cherished goal of increasing food production. Stress will go on rural credit programmes, co-operatives and mechanisation. Director Brown anticipates that USAID will enter the land reclamation field in 1980.

In one of its most important functions, the World Bank has on occasion drawn attention to the commercial viability of Egyptian projects and thus helped to attract other lenders. The bank played this type of role in raising funds for the $595m first stage of the Suez Canal deepening and widening scheme. After the bank indicated its approval with a $100m loan at 8¼ per cent, the Suez Canal Authority was easily able to obtain the remaining financing.

As is implied by the letter circulated to participants in the Tokyo summit seeking $18.5bn external financing between 1979 and 1982 the Egyptian Government is dissatisfied with the $300m award it obtained from President Carter for concluding peace with Israel. But most experts think that the $2bn in aid that Egypt now receives annually approaches the maximum it can absorb efficiently.

One major source of frustration to potential donors is the Egyptian Government's inability to produce sufficient feasible project proposals. The West Germans, in particular, view themselves in direct competition with USAID for the privilege of funding a finite number of good projects. The problem is that one or two overworked officials administer the typical Western European aid programme. In contrast USAID's staff of about 100 in do most of the Egyptian

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Foreign investment

Impossible targets

A GOOD way to gauge how Egypt's Open Door policy is faring is to drive from Cairo to Alexandria on the desert road. A year ago, the new industrial estate of Al-Ameriyah behind Alexandria, was scrubland. To-day it is dotted with enclosures where companies have bought land. But apart from a spanking new carpet factory, there are few signs of construction behind the neat brick walls.

This vividly illustrates the current state of play: everyone staking out their ground, jostling to obtain their licences — but waiting. The latest General Authority for Arab and Foreign Investment (GAAFI) brochure tells a slightly different story. At the end of last year, the authority had sanctioned E£4.3bn (£2.76bn) worth of investment projects, of which about 16 per cent are producing and another 56 per cent are under construction.

ANNUAL INVESTMENTS THROUGH THE FIVE YEAR PLAN 1979-1983

(E£'000)

Year	Public		Private		Total national	
	Total	Foreign	Total	Foreign	Total	Foreign
1978*	2,241	1,232	259†	189	2,500	1,421
1979	2,560	1,320	250	130	2,810	1,450
1980	3,160	1,750	910	360	4,070	2,110
1981	3,470	1,910	1,020	395	4,490	2,305
1982	3,850	2,030	1,120	425	4,970	2,455
1983	4,180	2,200	1,240	465	5,420	2,665
General total	17,220	9,210	4,540	1,775	21,760	10,985

* *1978 represents the actual following up.* † *The private sector investments do not include about* E£140m for the petroleum exploration. Source: Ministry of Economy and Economic Co-operation.

As the projects are lumped together in categories there is no way of checking. But some statistics from the other side of the fence make salutory reading. Total private U.S. investment in Egypt to date is a meagre $16m, and the figures from other Western countries make hardly more encouraging reading. The bulk of the private foreign money to find its way into Egypt has been Arab money, and the major part of Western capital involvement is through management joint ventures.

The Open Door Policy is thus still a long way short of achieving its principle aim of marrying Western expertise with Arab cash to produce jobs in sufficient numbers for Egypt's growing population.

Implementation of the policy has suffered from two major handicaps: first its subservience to the foreign policy and political requirement; and second, initial misconceptions as to what an open door policy should do and what it entailed. It took eight years for Brazil's open door policy to produce any visible results, yet Egypt was intended to cross the threshold to prosperity by 1980, barely six years after Investment Law 43 (of 1974, amended by Law 32 of 1977) which incorporates the open door policy, was on the statute books. This clearly is an impossible target, yet the same lack of professionalism that produced this unrealistic optimism is still prevalent in the initial contacts of too many potential investors with Egyptian life.

Unfortunate

This is doubly unfortunate because it disguises important grass roots changes of far greater long-term significance.

For example, in place of the big prestige projects, which were to have formed the backbone of the private sector development, there has been a slow but steady build up of small-scale ventures, financed by either private Egyptian or Arab capital. The joint venture banks have played a role in financing these projects. A good example is the Cairo Beverages Company which bottles "Seven Up" under licence. It recently raised money on the domestic market to expand production.

Until the foreign exchange situation eased about a year ago as a result of the large inflows of workers' remittances, the only viable foreign joint ventures were those using locally produced raw materials. A couple of aluminium extrusion joint ventures were set up using the aluminium smelted at the Nag Hammadi complex in Upper Egypt.

Exceptions to this rule were the banking and financial services sector—about 70 banks have some presence in Cairo—and hotel construction, which has been the main impetus behind a construction boom. There are currently over 8,000 four and five star hotel rooms being built in Cairo involving a total investment of nearly $1bn. The Gulf and Saudi Arabia is providing the bulk of the finance for these hotel projects, either through Arab investment institutions or the offshore banks operating in Cairo. The hotel construction boom has offered management joint venture opportunities for such international hotel groups as Marriott, Sheraton, Hilton and Holiday Inn.

The spillover into general construction has produced a spate of management or technical transfer joint ventures also. A typical example is that between Acrow and the private sector company of the Arab world's largest contractors, Arab Contractors, to manufacture metal scaffolding. Most of the construction joint ventures have been until recently with affiliates of Arab Contractors.

Drugs

Another exception to the general rule are drugs and pharmaceuticals joint ventures. Hoechst and Pfizer have operated joint ventures in Egypt from the early 1960s right through the Nasser era, and E. R. Squibb has recently set up an offshore venture to manufacture drugs.

The development of industrial joint ventures has naturally been slower and limited to products where the markets are relatively well-defined and where there is some export potential. Wilkinson Match's joint venture with the public sector Alexandria Metal Pipes Company is one such example. Union Carbide's plans to build a $15m dry battery plant is another. In contrast to Wilkinson, which is putting up 51 per cent of the equity for its joint venture, Union Carbide is providing 75 per cent, the remainder being taken by private Egyptian interests. Another success story is a $95m synthetic textile plant at Suez, promoted by Misr Iran Development Bank, which is to go into production later this year.

Obtaining a licence tax for a purely private sector manufacturing joint venture is becoming more difficult, especially where it treads on public sector interests. To appease public sector opponents of the open door policy, GAAFI encourages joint ventures with public sector companies with a view to modernising them. This often proves more difficult than it seems, as British Chloride, for instance, is finding, because of differences over manning levels. British Chloride is negotiating to set up a wet cell battery plant with a public sector company.

A major area for development, and one the authorities are encouraging, is agricultural and agro-industrial joint ventures. As with the joint ventures situated in the new cities, these enjoy a 12-year tax holiday.

The Egyptian authorities are hoping the U.S. will take the lead in this field, although West Germany has also shown interest. New projects will have to be on reclaimed land, and the areas of commercially reclaimable lands are limited. The sums of money involved are also much bigger than the $5-$15m joint venture, currently the maximum size and the return much slower.

Most of the larger joint ventures are either stalled or being quietly dropped. An exception is Coca-Cola's plant to develop a $50m citrus fruit farm at Ismailia. The quid pro quo is that Coca-Cola is soon to be marketed in Egypt.

Ford's $145m project to re-establish its Alexandria truck assembly plant and build an engine factory, hailed 18 months ago as the project to break the ice, has got nowhere. Now that Egypt no longer has the Israel boycott removal card to play, new investment has become less attractive. Arab funds, which were to make up about one-third of the capital, have not materialised. Ford will now content itself on reopening the truck assembly plant. Massey Ferguson's $20m tractor assembly plant has run into internal company financing problems, and its main Arab backer has moved out of Cairo in response to the boycott, while Michelin's $70m radial tyre plant, having slipped into second gear late last year, now appears to be back in neutral.

The most serious large-scale project at present is Volkswagen's to build a $30m "Beetle" assembly plant in Alexandria. It is looking for a joint venture partner and is keen to make further investments in Egypt, depending on how the plant develops. Fiat's joint venture with the public sector Nasco car company to assemble cars could well see production stepped up in response to local demand. Car accessory manufacturers, as well as household appliance manufacturers' have possibilities.

But GAAFI officials are caught in a dilemma by the investment confidence process. They have threatened to cancel licences where no move is made and Goodyear has lost its licence. But with virtually all medium to large-scale investment pausing to assess the impact of the Baghdad resolutions and progress at the peace talks, there are limits to the threats and blandishments GAAFI can wield. The lack of visible results weakens their hand against public sector interests when trying to push through vital economic reform.

Image

They also have to contend with an unfortunate image of a certain type of Egyptian businessman abroad. One consumer product manufacturer with extensive experience of the Third World recounts the tale of being approached by an elder member of the People's Assembly, a personal friend of Sadat's ("licences will be no problem") to set up a joint venture. After two exhaustive trips involving much eating and entertaining, the sum total of his investigations was a feasibility study consisting of two grimy pieces of stapled paper.

He probably will not pursue the contacts with this partner because he envisages a situation where he will put up half the cash and do all the work. But he will keep his tabs on Egypt until the right partner materialises, because he feel the market is there.

It is at this point that GAAFI can help. Dr. Gamal al-Nazer, chief executive Minister of State for Economic Co-operation is well aware of the damage these unfortunate initial contacts can do, and can only exhort potential investors to contact directly the commercial section of the nearest Egyptian embassy or GAAFI's headquarters at 8 Adli Street, Cairo.

There have been great improvements in the way GAAFI processes applications. The conflict of departmental interests and of policy which created confusions and not to say debacles—at least in the form of the Pyramids Oasis real estate development project, which was cancelled last summer, and the over ambitious $1.2bn dollar textile complex at Al-Ameriyah—should now be things of the past. The Supreme Investment Council adjudicates in all cases involving policy which cut across ministerial lines. Western embassies are now receiving, unsolicited, suggestions for joint venture projects—a major improvement. While from their side they say interest in Egypt has never been greater.

GAAFI's legal bureau should be able to determine the best kind of presence the potential investor needs, whether offshore or inland, or direct him to competent advisers. Apart from warehousing in Port Said, the free zone concept has not been oversuccessful.

Despite these encouraging developments, the process is running agaist a timescale that could still nip it in the bud. If the Middle East was on the threshold of stability, the Arab boycott a bad dream, and a radical reform of institutions begun, then one could say that the groundwork had been done and there was a fighting chance of it succeeding. But in the present climate of uncertainty the odds are not good.

Alan Mackie

Projects

CONTINUED FROM PREVIOUS PAGE

Government's project development work for it. The inherent danger in the size of USAID is that pressure to spend so much money will push projects ahead with insufficent Egyptian participation. This would undermine the whole purpose of the programme, which is the development of domestic and specifically human resources.

The West German programme follows the World Bank's in magnitude with a 1979 agreement of DM 250m. Commodity support comprises DM 75m. The remaining DM 175m will go for project assistance. The West Germans plan to spend DM 50m in the power sector and another DM 50m on additions to the Abu Kir fertiliser plant. German officials claim that their aid is not tied, but many of their contracts wind up with German companies.

France signed a FFr 408.5m protocol with Egypt this spring; 32 per cent is in soft Treasury loans with the remaining 68 per cent guaranteed commercial loans. Envisioned French projects include the first stage of the long awaited Cairo Metro.

Japan has also shown some interest in the Metro. So far it has devoted most of its aid efforts to the Suez Canal project, but Japanese consultants are studying the feasibility of setting up a steel plant at Dikheila, west of Alexandria. Another Japanese team is searching for projects around Lake Nasser behind the Aswan High Dam.

Following the election of new conservative governments, the future of both the British and Canadian aid programmes for Egypt is uncertain. Britain has committed itself to £50m financing for the giant Cairo sewage overhaul, to which USAID has also agreed to contribute $100m. Canada's Egypt aid level for 1979 will be C$35m. Most will go for purchase of Canadian railway locomotives.

Stanley Reed

Sinai

Ambitious dream

ON MAY 26, President Sadat, resplendent in a white admiral's uniform, raised the Egyptian flag over el Arish, the scruffy provincial capital of the Sinai Peninsula. According to official rhetoric, Mr. Sadat's ritual heralded the opening of a new frontier of vast potential wealth.

Before it was occupied by Israel during the 1967 war, Sinai was a neglected area, with only a tenuous connection to the rest of Egypt. But now, with Israel set to return the entire peninsula within three years, it is being billed by officials and the Cairo Press as the solution to Egypt's problems of overcrowding and poor natural resources.

But in practice, it seems very likely that the development of Sinai will turn out to be both an economic and political burden.

Perhaps the most ambitious dream being discussed envisages settling 2m Egyptians in Sinai's 23,600 square miles of barren sand and rocks by the year 2000. To feed these people the Ministry of Irrigation expects to cut a canal from the east branch of the Nile all the way to Sinai. The new channel would plunge beneath the Suez Canal and emerge on the other side to water 400,000 acres of reclaimed desert. A scheme to enlarge the existing Ismallia Sweet-Water Canal would nourish another 800,000 acres.

These are heady predictions, but plans for Sinai's actual development are going ahead at a sober pace. The Ministry of Development and New Communities will soon choose a consultant to perform a USAID-financed survey of Sinai's potential. USAID has a $2.5m dollar budget for Sinai studies.

The consultant will be instructed to identify feasible projects in mining, agriculture, transport, tourism and infrastructure. Early population settlements will be emphasised. Just who will pay for these projects is not yet clear. USAID appears willing to fund the rehabilitation of a manganese mine near the Gulf of Suez at Abu Zenima that was put out of action by the Israeli occupation.

Leaving aside petroleum production (discussed elsewhere in this survey) hope for commercially feasible activities centres on tourism and mining. The Government plans to draw American and European visitors to the peninsula's spectacular beaches. The religious sites around Mt. St. Catherine, which is the habitat of the rare Sinai leopard, also promise to be an attraction. Lake Bardawil, an estuary on the north coast, is internationally famed for its bird life. Marriott is reported to have agreed to build a $9m 150-room prefabricated hotel near el Arish. At the moment, the capital's only inn is a cramped shabby place where strangers often have to share rooms.

In the mining sector, copper, uranium, lead phosphates, sulphur, and strontium are all considered by the Ministry of Development to "deserve exploration." Before the war, kaolin was produced from the Sinai for the porcelain industry. A mountain of almost solid gypsum rises near the Gulf of Suez. Sinai is Egypt's best source of quality glass sand. The peninsula has considerable coal reserves, but they are mostly of low-grade sub-bituminous varieties.

Some experts doubt the economic viability of Sinai land reclamation. They point out that reclaiming desert along the edges of the Nile Delta is likely to prove cheaper. A possible exception is the Wadi el Arish area on the north coast, which receives some rainfall. The Egyptian Government plans to profit from the agricultural development begun by the settlements the Israelis are required to abandon under the terms of the peace treaty. But at the only settlement to return to Egyptian hands so far, it was discovered that the embittered settlers had blocked wells and damaged the drip irrigation system, perhaps beyond repair.

Because of the high costs promised by rugged terrain and inaccessibility, USAID, Egypt's major source of development funds, is wary of becoming heavily involved in Sinai. "Almost anything you do in Sinai will cost you more than elsewhere," said one USAID official.

"In the short-term we are looking to the private voluntary organisations," said Mr. Donald Brown, the USAID-Egypt director.

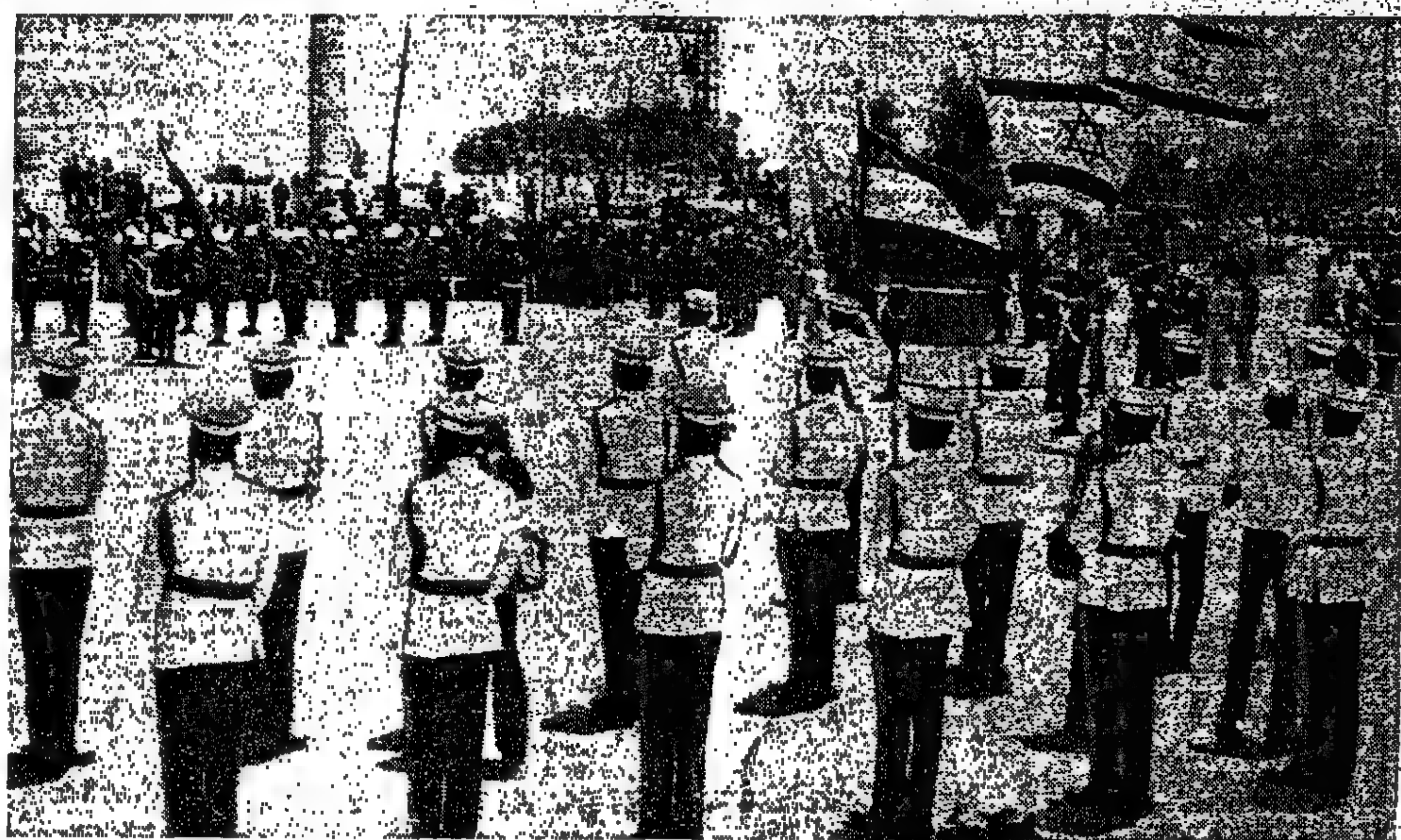
At present Sinai looks more like a political headache than a boon for the Egyptian Government. The Israeli pull-out disrupted light industry in el Arish, leaving high unemployment among the population of 35,000. The Egyptians, eager to diminish Israeli influence, are unwilling to allow labourers from the town to cross into Israel. This deprives them of seasonal jobs. The anticipated return of 30,000 el Arish residents who fled the Israelis is expected to precipitate a housing crisis.

According to the American charitable organisation, CARE, 42,500 people, almost a third of the peninsula's 157,000 inhabitants, require food aid. The agency is negotiating with Egypt to continue the breadline-type programme that it formerly administered from Israel.

The Egyptian Government's first priority is to prove to Sinai residents that it is in charge. Toward this goal, is sacked the man who served as Mayor of el Arish during the Israeli occupation. Egypt also ordered the deportation of 154 Palestinian families to Israel. But the Egyptians face a struggle to assert their domination. Smuggling is rampant across the borders. Only I£15m of an estimated I£100m in circulation in el Arish before May 26 has been turned in to the Egyptian authorities. Egyptian banks are continuing an exchange programme pegged to London Stock Exchange rates.

Another problem is Sinai's remoteness from Egypt. While the peninsula has relatively good roads and airfields, the only overland connections to the Egyptian heartland are a few pontoon bridges and ferry crossings on the Suez Canal. Canal shipping restricts use of these to a few hours a day. To improve access to Sinai the Egyptian Government plans to construct a number of bridges and tunnels to connect the two banks of the Suez Canal. The £70m Ahmed Hamdi tunnel near Suez is being built by a consortium of Tarmac (UK) and The Arab Contractors. It is scheduled for completion by the end of next year. The Government is giving serious consideration to a tunnel or bridge for Qantara near Ismailia.

Stanley Reed



Egyptian troops in the foreground and Israeli troops in the background presenting arms as the town of El Arish was returned to Egypt in May

Relations with Israel

Little more to give

THE MOST important, positive aspect of Egyptian-Israel relations today is the determination shown by both sides not to allow the vast differences that still separate them, over the future of the Palestinians, in particular, to negate the achievement of March 26 when the peace treaty was signed in Washington.

This was amply demonstrated in Alexandria earlier this month when President Anwar Sadat and Mr. Menahem Begin, Israel's Prime Minister, failed to make any significant progress on the most contentious ideological issues but, by merely being together without coming to blows, helped to demonstrate that, little by little, relations between the two countries were being put on to a normal footing. The agreement by Mr. Sadat to visit Haifa towards the end of August for another round of talks offers further evidence of continuity and is considered as a positive sign by the Israelis.

However, Israeli enthusiasm at the success of this step-by-step policy of normalisation—with each side perhaps making small peripheral concessions—cannot disguise the fact that Mr. Sadata now has very little more to give on the Palestinian question, and that each additional move he makes to satisfy Israeli demands further exposes the bilateral nature of the peace treaty. While Mr. Sadat bravely states that he "wants to see what Egypt can achieve without the Arab world, and what the Arab world can achieve without Egypt." He is nonetheless committed to trying to make the peace treaty a cornerstone for a comprehensive Middle East settlement and, according to his aides, has not deviated from his belief that this cannot be achieved without a fair and just solution for the Palestinians.

Mr. Sadat's approach to the Israelis, as he often asserts, is heavily psychological. By going to them as "reasonable men," albeit overly conditioned to the state of war they have been in since the establishment of the Jewish State, Mr. Sadat thinks that Israeli society will eventually be convinced both of the justice of the Palestinian cause and that the only way for them to have a longer-term future in the Middle East, not based solely on military power, is by getting out of occupied Arab land.

To the casual observer this policy may so far look hopelessly wrong. At least judging from the benefits that accrue to either side. Egypt gains from the treaty an end to the state of war and the eventual return of all Sinai, including Jewish settlements, oilfields and other potential mineral wealth. At the same time, it has lost the strength and economic benefits that derive from being an active part in the Arab world.

Israel has gained what it has most ardently desired, peace with its largest Arab neighbour and the incalculable relief of probably not having to fight another war on two fronts. More than peace Israel also gains the right to full economic, trade and cultural links with Egypt. (a market of over 40m people), the use of the Suez Canal, the permanent limitation of Egyptian military deployment in Sinai and, more ambiguously, the right of the treaty to take precedence over other Egyptian obligations. And all this has been done without any suggestion that Israel will agree to restore Arab sovereignty in the West Bank, Gaza Strip or Golan Heights.

Instead what Israel offers to the 1.2m Arab inhabitants of the West Bank and Gaza is a limited form of self-rule but nothing that might be considered as leading to the creation of a separate Palestinian state. For Mr. Begin and his adherents the West Bank (or Judea and Samaria as they call it) is part of the promised biblical land of Israel. Mr. Eliahu Ben Elissar, the director of the Prime Minister's office once explained that his country was making a "very great sacrifice" by failing to exercise sovereignty over it. Against such ideological and religious conviction Mr. Sadat can at best hope to make only very limited progress. His tenacity in sticking to his insistence on full autonomy for the Palestinians must to an extent be based on the possibility that Mr. Begin's Government will eventually be replaced by one that considers the West Bank to be primarily a security issue.

In the shorter term Mr. Sadat has to rely almost exclusively on the Americans who are a "full partner" in the Palestinian negotiations. After four rounds of negotiations, alternating on a fortnightly basis between Israel and Egypt, Mr. Robert Strauss, the chief U.S. representative, claimed a "breakthrough." This was that after many hours' sterile bargaining over an agenda it was agreed that two working committees should be set up—one to discuss elections to a Palestinian self-rule authority and the other to discuss the actual powers that the authority would exercise. "Other related issues," which should include Arab East Jerusalem (annexed by Israel after the 1967 war) could be dealt with by a third working group as and when considered necessary.

Egyptian optimists point to the rather similar halting progress towards the peace treaty that followed Mr. Sadat's visit to Jerusalem in November 1977,

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Suez

Canal ready for supertankers

A FAVOURITE attraction for visiting Egyptians and natives of Port Said on summer evenings is to sit on the famous Port Said promenade and watch the ships queue up in the midnight convoy for the southbound journey to Suez and the Red Sea. The container ships and oil tankers tower over the town as they glide through, leaving a whiff of romance for travel which is rare these days, and a sense in ordinary Egyptians of pride for something that is theirs, that works and that the world needs.

In September next year they will have even more to ogle at as the first supertankers sail thorugh the Canal after the first phase of the widening and deepening programme has been completed. At present only ships of 38 ft draught can use the canal—or 60,000 tons fully ladan and 250,000 tons in ballast. From September next year ships of 53 ft draught (or 150,000 tons fully laden and 380,000 tons in ballast) will be able to use the canal.

Work on the $1.1bn first phase is well over half completed. Egyptian companies have all but completed removal of the Bar Lev line and other fortifications on the East Bank. This is an essential pre-requisite to the widening and deepening programme as the revetments for the widened canal are being relocated on the eastern bank leaving the western bank intact. The new revetments take account of further expansion in a second phase which will accommodate ships of 68 ft draught.

Japanese, French and Italian companies, and the Suez Canal Authority (SCA) itself have removed 104 km, or 79 per cent of the 131 km of old revetments and have completed 114 km of new revetments. At the same time 700 old bollards have been removed and 1,000 new ones installed.

Dredging is also well advanced with 361m cubic metres or 64 per cent of the 560m cubic metres to be done, completed. Some 40 dredgers are employed on the operation. By September next year the new Port Said bypass should be completed, eliminating the risk of a serious collision in Port Said itself. The Ballah bypass just north of Ismailia is already operating. These, with dual channels in Lake Timsah and at Deversoir in the Great Bitter Lake, will provide four bypasses or waiting points to accommodate the two way movement of convoys.

The 86 ships that passed through the Canal both ways on January 22 last year may well go down as a record (compared with the average now between 55-60 vessels a day) because the deeper canal will handle fewer but larger, more profitable vessels. The trend towards larger vessels is already noticeable.

The rising tonnage is reflected in higher revenues. Last year the canal brought in $520m in foreign exchange. This year the target is $550m, but the oil crisis has raised a question mark over this estimate, and although no Arab countries have boycotted the canal — and there are none with declared intentions at present of doing so — the possibility cannot be ruled out if sanctions against Egypt escalate. The May tonnage figures bely these uncertainties, however. The daily tonnage for the month was 14 per cent higher at 717,800 tons, compared with a daily average of 680,200 tons for May last year.

Contrary to popular belief, the actual income to the state after operational and other costs is only about one-third incoming revenues. Although there is a large local currency element in operational expenditure, there is also a significant investment element needing foreign exchange, for refitting of workshops, the purchase of tugs, and not least the servicing of $595m of foreign loans for the first phase widening and deepening programme. With the exception of a $50m World Bank Loan, bearing 8.5 per cent interest, the loans are at less than 4 per cent and most with grace periods. Lenders read like a Who's Who of the Arab development funds—and there are no signs yet that they are not coming through — the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, Arab Fund for Economic and Social Development, Abu Dhabi Fund for Arab Economic Development and the Islamic Development bank. The U.S. Agency for International Development (USAID), West Germany, France and the UK all have a finger in the pie, while Japan has over $210m committed to Suez Canal projects. Finally, the Suez Canal Fund and the SCA itself are providing just under $100m of the foreign exchange requirement.

Given the hefty overheads, the marginal profit is extremely important. Most of the extra $450m a year that the widened and deepened canal is expected to bring in will be net profit to the Egyptian exchequer—an important point given that Egypt may face balance of payments problems next year.

World trade uncertainties could also affect plans to raise selected tariffs when the widened canal becomes operational. At present SCA officials are tightlipped about their pricing plans.

Second phase implementation is likely to be postponed until the future for world shipping becomes clearer and the profitability of the first phase can be better evaluated. Plans eventually to open a second channel for northbound traffic in ballast are, in the words of Mr. Ahmad Ammar, the head of the SCA's Planning Department, "futuristic." Incorporated into the second channel idea is a plan to have Very Large Crude Carriers (VLCCS) offload most of their crude in Suez, pass through the Suez Canal in ballast and reload their oil again at Sidi Kreir near Alexandria, the oil having been pumped through the Suez Mediterranean (Sumed) pipeline.

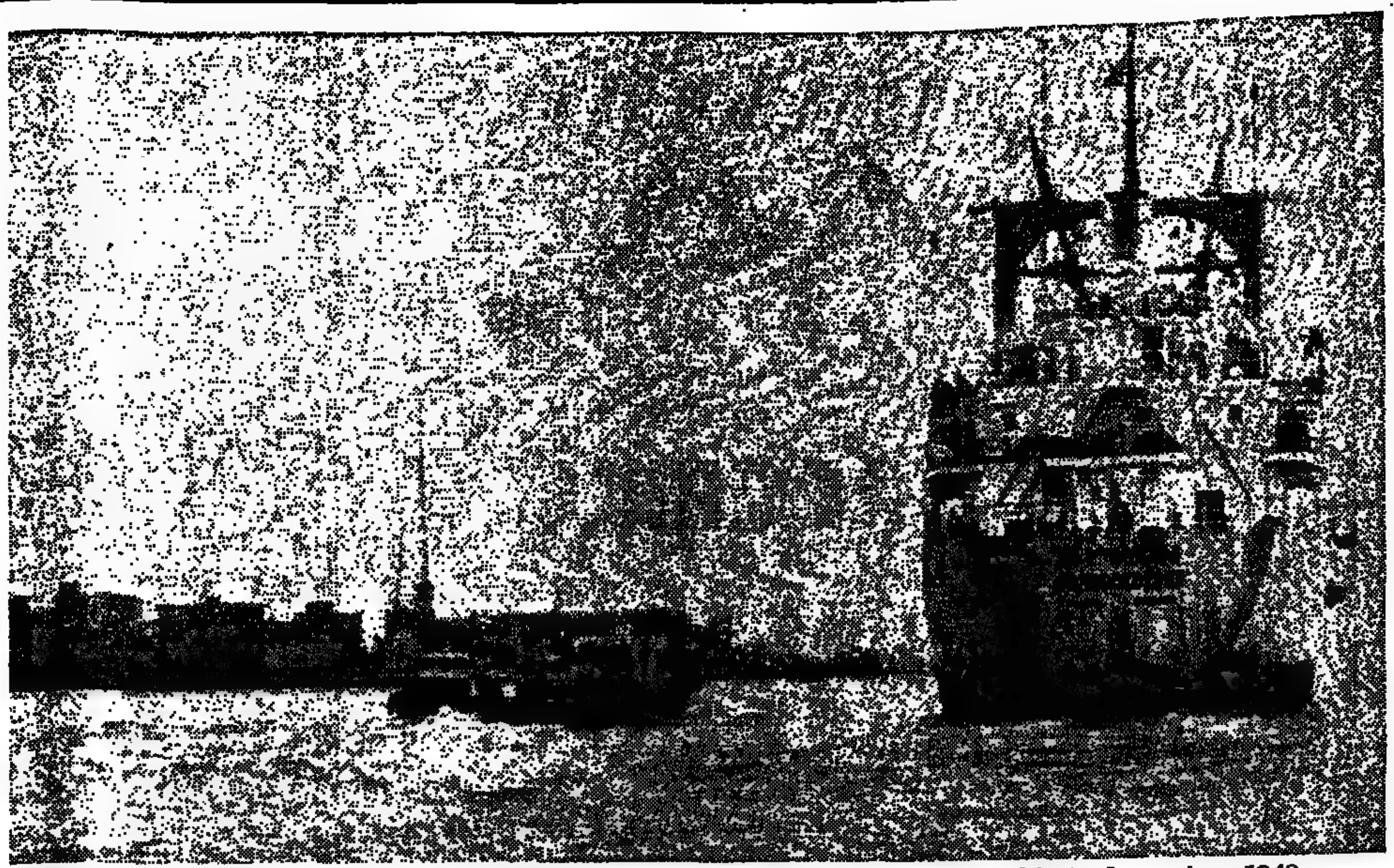
Sumed opened early in 1977, and the $500m pipeline has found it hard to find orders to raise throughput to *50 per cent* of its initial 80m tonnes a year capacity during 1978. Egyptian officials are hoping it would come into its own in 1981 with the opening of the Trans Arabia pipeline from Saudi Arabia's Eastern Province to the Red Sea port of Yenbo, whence it would be transhipped to Suez.

An Arab boycott of Sumed (owned 50 per cent by EGPC and the rest by Saudi Arabia, Abu Dhabi, Kuwait and Qatar) is unlikely given the large financial stake the oil states have in the project (Arab funds for the Suez Canal projects are still reportedly coming through), but the general uncertainties will not help it through this rough patch. Iraq, for instance, has stopped shipments through the pipeline.

The gamble of opening the canal in June, 1975, before the Israelis had fully withdrawn from the East Bank has not yet come up trumps financially, but it has paid off handsomely in providing a push to stabilising the region and for providing a focus for the redevelopment of the ravaged canal towns. The return of nearly 1m refugees to their homes alone has been of important social significance to overburdened and overcrowded Cairo.

The Suez Canal remains a vital artery. Port Said derives its free zone status as a canal entrepot from it, although this is reportedly being revaluated because of disappointing results just as it does from the fact that the U.S. aid has financed studies for a new 10m tons a year port. Ismailiya houses the SCA headquarters, although its commercial future is likely to be in agro-industrial projects. Suez is developing its own free zone around the port of Adabia, which is becoming important for grain and for meat imports from the Antipodes. It has possibilities for medium to heavy industry and petrochemicals based on its refinery. Despite the diversification, the canal will continue to be the infrastructural backbone on which the development will take place.

Alan Mackie



The cargo ship Ashdad passing through the Suez Canal in April, the first Israeli ship to do so since 1948

Little

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and officials admit that they are now essentially waiting for the U.S. to table its own proposals, which they are confident will be much closer to their position than to the Israelis'. They hope and expect the U.S. to bear the main brunt of the negotiations, and some officials say privately that there is little more Egypt can do beyond refusing to be provoked by Mr. Begin into abandoning what they see as an essentially reasonable and non-extremist position. Israel's invasion of Southern Lebanon in March last year, its persistent air, sea and ground attacks on alleged Palestinian positions, its refusal to stop building Jewish settlements on the West Bank, and its "provocation" of Syria resulting in the shooting down of five Syrian jets, are all seen in Cairo as part of a determined attempt by Mr. Begin to ensure that no Palestinians are tempted to come to the negotiating table as foreseen by the Camp David accords. However, Mr. Sadat has to be aware that even without such Israeli actions even the more moderate mayors and civic leaders on the West Bank and Gaza were opposed to Camp David, with many of them considering it was merely a formula for legalising Israeli occupation.

The main leverage which senior Egyptian officials expected to be able to exert over Israel as the negotiations progressed was the pace at which normal relations between the two countries would be allowed to develop. Time and again, it was explained that such matters as the exchange of ambassadors, open borders, granting of visas, trade relations and economic co-operation would be the carrots dangled to encourage concessions from Israel.

Mr. Sadat, however, has already conceded that ambassadors will be exchanged nine months after the ratification of the treaty in return for speeded up Israeli withdrawal from Sinai during the first phase. Some Egyptian commercial concerns are already understood to be in contact with Israeli companies. An air corridor between the two countries has been inaugurated, albeit so far just for official purposes. A few tourists are beginning to dribble through and other con*tacts are taking place.*

It is a process both provided for by the treaty and one that Mr. Sadat will not find it easy to halt without making a more radical shift in his attitude towards Israel. According to the terms of the treaty, full nego*tiations on trade, cultural and* civil aviation agreements will not start for more than a year. Egyptian officials usually claim that it is premature to begin discussing the possible benefits *to either nation, although they* agree that Israel seems to have far more to gain.

The booming Egyptian consumer goods market is obviously an attraction for Israel, and in Tel Aviv it is said that they are eager to offer their land reclamation and desert agriculture technology to Egypt. The concept of harnessing Egyptian labour to Israeli technology is still a sensitive issue in Cairo. The authorities refused to allow some 5,000 Egyptians living in El Arish, the capital of Sinai, to continue with their jobs in Israel after it had been handed back to Egypt, despite the obvious economic disadvantages and the impossibility of quickly providing alternative employment.

Egypt has also agreed to sell oil to Israel from the Sinai fields, which will be returned later this year. But officials stress that prices will be those currently pertaining on the world market and that Israel will be treated as any other customer.

The social and cultural aspects of normalisation are another cause of anxiety to some Egyptian officials, who fear the possible political consequences of a large number of Israelis suddenly descending on their country. Apart from the obvious *security* implications and the fear that Israeli tourists could become terrorist targets, they point to the potential tension, as one put it "between representatives of the hated Zionist state and the Islamic fundamentalists who have been excited by what is happening in Iran." *Therefore they hope* that both Mr. Sadat and the Israeli Government will move with extreme caution on the full opening of land borders, which for first time in over 30 years will make it possible to drive from Jerusalem to Cairo.

But before that happens the target date of one year for the successful conclusion of negotiations on Palestinian autonomy will have expired. On that will depend what Mr. Sadat has to show to his Arab critics and, by then, a more accurate assessment ofthe effect the Arab boycottis having on the Egyptian economy will be available. These two considerations are still far more important to the future of Egyptian-Israeli relations than any protestations about "full, frank and friendly" exchanges between the two countries' leaders.

R.M.

Banking

Promising growth

THE BANKING and financial sector has undoubtedly been one of the success stories of the open door policy. Being the first sector to develop after the doors were opened, it has ridden periods of criticsm, when "foreign bank" was a dirty word loaded with innuendoes of quick profits from luxury imports, to find a useful role: that of making the local banks respond to the competitive challenge, and of beginning to finance much-needed intermediate and raw material imports, as well as the odd joint venture.

There are some 70 foreign banks with a presence in Egypt. Those that have made efforts to set down roots are prospering, while the rest wilt in the competition. No matter what the original intention, nearly all of them began by financing trade to cover their startup expenses. But as they have found their feet, and established credit ratings with trusted customers they have come into their own.

The four British banks established in Cairo give an idea of the breadth of activities. Cairo Barclays International (a 50-50 joint venture with Banque du Caire) is a development bank, aiming to marry Arab money with Western expertise in Egyptian development projects. It has been instrumental in finding partners and finance in 17 joint ventures with a total capital of around $70m.

Lloyds Bank International is an offshore operation which is steadily deepening and broadening the scope of its operations. It is looking for promising small-scale private ventures which need cash and is eyeing the plums to be plucked from financing public sector business. It is also becoming more active in loan syndication.

Midland relies exclusively on its correspondent business and has handled a fair amount of business for the Arab Organisation for Industrialisation, the arms organisation in the throes of being wound up. Morgan Grenfell has a representative office in Cairo covering the Saudi peninsula and has been active (as has Midland) in negotiating ECGD credits.

None of these banks, however, can deal in Egyptian pounds, because to do so requires a joint venture with a *majority Egyptian shareholding.* Chase National, a 51 per cent controlled joint venture with the National Bank of Egypt and Chase Manhattan Bank has thus been able to tap the lucrative business of offering Egyptian pound and dollar accounts. Chase National last year raised profits by 79 per cent to E£2.8m (£1.8m). It is looking for medium term lending opportunities and aims this year to consolidate.

Misr International Bank (MiBank), like Chase National, can offer dollar and Egyptian pound accounts (Banque Misr and Misr Insurance Company between them own 51 per cent of the shares, the remainder is held by European, American and Japanese banking interests). It more than doubled profits last year to E£2.6m and is looking for an expansion of its term lending programme.

Special

In a special category, because of their specialised interests, are the Arab offshore banks and the Arab commercial banks operating in Cairo. The largest of these are the Arab International Bank, which was the first offshore bank to be set up in 1974, and the Arab African International Bank. These two banks have been active in syndicating loans for hotel development and in stimulating interest in dollar and other hard currency deposits. They have also done a good correspondence business in placing AOI funds.

In a special category again is the Misr Iran Development Bank, which is owned 50-50 by Iranian and by Egyptian interests. It recently requested its capital be doubled to $40m. It has been involved in several ventures, ranging from an air conditioning plant to synthetic textile plant and hotels, with a total capital of nearly $300m. It has $31m invested in these projects and a further $40m committed.

The local banks at first reacted negatively to the competition created by the foreign banks. They had no answer to the wholesale plundering of their better staff and to having their hands tied by low domestic interest rates. But their freedom of activities has been greatly extended. They can now go to the open market for foreign exchange and compete for hard currency deposits. Domestic interest rates are rising (the current base rate is 8 per cent) and they can offer improved staff incentives. They are also beginning to wake up to the potential of their traditional public sector links.

A new breed of indigenous banks is also developing, best illustrated by the Suez Canal Bank. Set up to develop the Suez Canal Zone, the bank has lost no time in using its powerful Egyptian contacts to carve out a profitable business. The Nile Bank and Delta Bank have been set up to utilise the savings of Egyptians working in the Gulf and Saudi Arabia, while the Development Industrial Bank (DIB) has become a significant financial force by relending $125m of soft loans to small-scale private industry. It is negotiating with the World Bank for another $50m.

There have also been developments in creating a money market. A major reform was the abolition of the official rate of 39 piastres to the dollar at the beginning of this year. Now there are only two rates, the fixed parallel rate of 69 piastres to the dollar and the open market rate of 75-80 piastres to the dollar. One of the great successes of Egypt's weaning from an official to an open market rate has been the gradual transformation of the black into a "grey" market and finally now an "open" one. Underpinned by workers' remittances and helped also by the weakness of the dollar to which it is pinned, creating an effective devaluation against other currencies, a tolerable 5-10 per cent differential has been established between what the pound fetches by going through the official channels and the funds acquired quickly on the open market. Official foreign exchange is available depending on how quickly the parallel market pool is replenished by remittances banked through the commercial banks, tourist receipts, oil revenues or Suez Canal earnings. The aim eventually is to broaden the open market and to cut down parallel market transactions.

The syndicated loan business is developing slowly, largely because of the technical problems of presentation. In time, the mechanisms and quality of prospectuses should improve. Nearly all loans have been dollar denominated but recently Chase National launched an Egyptian pound loan.

Against these encouraging developments, the failure of a $300m eurodollar loan in the spring was doubly unfortunate. The four Arab banks promoting the loan, Arab African International Bank, Arab International Bank and European Arab Bank of London and Union de Baques Arabes et Francaises of Paris withdrew their suport in line with the Baghdad negotiations. Citibank, Credit Lyonnais and Deutsche Bank were to have been the other lead managers. The primary aim of the loan, $200m of which was earmarked for power projects and the remainder for the purchase of four DC10/30s for EgyptAir, was to establish Egypt's market rating for a year or two hence when the country is likely to have recourse to Eurodollar borrowing.

Attempt

It was the first attempt by Egypt to borrow on its own account in modern times. A $250m Eurodollar loan managed by Chase Manhattan of London in the spring of 1977 was underwritten by the Gulf Organisation for the Development of Egypt (GODE). Citibank has since revived an earlier offer to manage a $130m loan for the DC-10s alone, but the terms at 1¼ per cent above LIBOR are not as good as those in the original package.

The Arab boycott has raised a question mark over the role of the Arab banks in Cairo. There were tense days following the announcement of the disbandment of AOI in May when instructions were given to the Central Bank (which were never acted upon) to freeze all AOI accounts; but no large-scale withdrawal of deposits has happened yet. Funds are coming in for existing projects, but the fate of new projects, especially in the hotel field is less certain. Nevertheless, Arab African International is going ahead with plans to build a new $17.5m headquarters in Cairo (although the technical operations department is to move to Bahrain) and Saudi interests are going ahead with establishing the Faisal Islamic Bank, which will be the first in Egypt to operate according to the "Sharia" Islamic law.

In contrast, those banks that rely on Egyptian and Western funds report an upturn in business. Commerzbank is encouraging West German investors, while Lloyds and MIBank are opening new branches and expanding their activities.

New financial institutions are opening up as if to belie any impending crisis. One such organisation is the Joint Arab Investment Corporation, which although 50 per cent owned by the Abu Dhabi Government (the remaining shareholders are Egyptian institutions) claims to be the first "Egyptian" merchant bank, working to the requirements of the Egyptian rather than international markets. Operational a mere three months, the organisation is still finding its feet. It hopes eventually to seek out investment opportunities and potential lenders, and is looking to the day when Cairo has a proper money market issuing certificates of deposits.

So long as the workers' remittances continue to supply the market's foreign exchange requirement, there seems nothing to stop the development of more sophisticated financial mechanisms. But these developments will be geared to the requirements of the local market. Cairo is unlikely to become another Beirut of the 1960s. But a weakening currency and the re-emergence of a black market could jeopardise these developments. It is here that the Arab boycott, coupled with an inability to implement politically difficult economic and financial reforms, could really hurt.

A.M.

Oil

Risk of over-production

TO HAVE been for more than three years a net exporter of oil has been a welcome and much needed boon to Egypt. And whatever its other economic problems, Egypt's oil sector has proved to be second only to the Suez Canal Authority in its competence.

Its contributions to the economy are simple to list. It is now the country's largest source of foreign currency and provides 40 per cent of exports. Its proportion of the GDP has risen from 3.1 per cent in 1975 to 6.1 per cent in 1978. It became a net earner in 1976, with a surplus of $380m. Last year this had risen to $700m and this year, subject to some extent to prices, between $800m and $900m net. In global terms its reserves are small, estimated in 1979 at 356.2m tons.

Predictably oil has become something of a gesture of political determination, particularly in the face of the Arab boycott. But even before that, President Sadat used regularly to make two claims: that by 1980 there would be earnings of $1bn and production would reach 1m barrels a day. The former is realistic, and the latter not; nevertheless, the contribution to the economy which oil now and gas in the future will make are substantial

Production in recent years has risen from 300.000 b/d in 1975 to 424.000 b/d last year. The daily production sheet of the Egyptian General Petroleum Corporation (EGPC) for July 9 this year gives a useful picture of average production and the main producing areas. Production totalled 534.873 b/d (which includes 20.000 b/d of natural gas). Of these 379.574 b/d or 71 per cent came from the Gulf of Suez. The main fields were: July 183.422 b/d, Ramadan 95.000 b/d, Morgan 81,000 b/d, and Gharib 7,322 b/d. Production in the Western Desert totalled 24.130 b/d, mainly from Abu Gharadiq field (11.773 b/d) and Razzaq (11,750 b/d).

Production in the July and Morgan fields (the latter producing less than twice its former output after a drop in pressure in 1971 which was not restored until after 1975) is expected to rise slightly, and that at Ramadan at a faster rate in future. It is reckoned, however, that production over this year will rise little if at all, even though successive Israeli withdrawals towards the end of this month and in November will see the return, in the former case, of the Asal, Sider and Felran fields and, in the latter case, the Tur, Ras Gabbara, Alama and Ras Muhammad fields—producing between them over 30 000 b/d. Even if a temporary plateau appears to have been reached in production, the expansion of Egypt's production remains impressive.

Where does this now leave *the cherished 1m b/d target?* Mr. Izzeddin Hilal, the Petroleum Minister, said in January that the figure would not now be met until 1982. Officials of the Ministry and EGPC and foreign oil companies argue that there is no reason why two or three more fields of the size of July or Ramadan — perhaps in the adjacent South Belayim field — should not be found in the next year or two to bring this target close. (Drilling costs in this area are quite high at about $60m a well.)

In addition, they argue that the Western Desert's "deposition basin" (the surface area multiplied by the average depth in which oil might be found) is infinitely larger than that of the Gulf of Suez, similar in geophysical make-up to Eastern Libya, and by comparison underexplored — and that therefore it should yield substantial oil finds.

Qualified

While there is general agreement that more finds will be made, this view is qualified because of geophysical problems which make even modern seismic techniques more than usually chancy. Finally the point is made that there is inevitably a time lag between discovery and production. Thus though 1982 remains the official target, unofficially 1984 is reckoned to be a more realistic date.

During 1978, nine oil strikes were made — seven in the Gulf of Suez, and one each in the Western and Eastern Deserts. (Elf-Aquitaine also made what may be Egypt's largest natural gas find 50 km offshore north-east of Alexandria.)

The most important oil find was by a consortium headed by Deminex, and including Shell Mex and BP, offshore in the Gulf of Suez 4 km from the north east coast of Sinai. Oil flowed initially at the rate of 4.700 b/d and production could reach 100,000 b/d. A decision to start production initially at 10,000 b/d is expected shortly, and with it the important decision whether to invest at least $100m in providing onshore facilities, which are absent in that area. For the more onshore facilities are developed around the Gulf to complement the installed handling capacity at Ras Shuqair of about 500,000 b/d, the more feasible the development of marginal finds will become.

For the future, Egypt sets much store by its production sharing agreements with foreign oil companies. Since the Ministry of Petroleum was set up, separately from the Ministry of Industry, 55 agreements, now all of the "production sharing" type, have been concluded. These involve the commitment of $1.1bn expenditure on exploration and development over a total area of 663,000 sq km (or two-thirds of Egypt's whole land mass), with signature bonuses totalling about $111m.

The most recent and significant agreements have been an agreement with Shell willing to spend $83m on the second largest concession ever awarded in Egypt, 25,672 sq km in the Western Desert; two small concessions to Conoco and Shell in Southern Sinai while still under Israeli occupation; and on July 15 a 400 sq km concession to CFP (Total) at the northern end of the Gulf of Suez. In the coming months four other agreements — involving commitments totalling up to $100m—with Huston Oil and

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Industry

Changing strategy

IN YET another attempt to rationalise Egypt's industry, Mr. Ibrahim Atallah, the minister responsible, recently announced its formal reshaping into five main sectors. These are to be spinning, weaving and clothing, foodstuffs, metallurgical, and engineering, chemicals and mining.

These divisions are the logical parts into which this controversial and much-criticised part of the economy fall. Industry, perhaps more than any other sector, has been exposed to the full range of dilemmas that a Government has to tackle when trying to decide priorities on the basis of the limited resources. Industry in Egypt is both old and young. The first efforts were made under Mohammed Ali between 1820 and 1840, and grew directly out of the development of cotton. In the modern sense, it began a century later between the two world wars with the first moves towards import-substitution. But it has been plagued by inadequate manpower, distortions induced first by the British presence and then by four major wars with Israel, and finally by the governments of Presidents Nasser and Sadat changing their strategies over the relative roles of the public and private sectors.

Successive governments have been trying to decide whether to develop industries whose export competitiveness is blunted by protective and inefficiency-inducing tariffs, whether to develop heavy industry so as to enrich the experience of the workforce in the full knowledge that the steel produced and the cars assembled are likely to be uncompetitive in price, whether, having given the public sector a fair run in which to become established, to offset its inherent inefficiencies, its overmanning and weak management, by stimulating the private sector to provide competition and take over some of its operations.

With the growing decline of agriculture in its contribution to the GDP, industry's proportion of 17 per cent has been gaining in importance. It has been able to expand, in particular after 1975, as the greater inflow of foreign currency permitted the partial reactivation of idle capacity. At constant prices, its annual growth rate has been in the region of 8 per cent over the last few years, and its proportion of gross fixed investment has risen from 21.9 per cent in 1975 to 29 per cent (E£512.4m out of E£1.77bn) in 1977. Under the terms of the former 1978-82 development plan its share of investment was to have been 20.7 per cent, the largest single allocation to one sector. Industry provides jobs for about 700,000 people or about 12 per cent of the workforce of around 6m.

Industry, like other parts of the economy, has been subject to official flights of fantasy when long-term investment has been considered. For example, when President Sadat unveiled his so-called Carter Plan for the resuscitation of the economy, as much as $12.3bn was to be earmarked for industry, of which $3.7bn was for spare parts and the remaining major part mainly for investment in existing projects, to modernise equipment in nearly all industries but with particular emphasis on the spinning and weaving and mining sectors. A similar theme—emphasis on the completion of existing projects—emerges in the document submitted before the Tokyo summit, where E£3.4bn (of which the private sector is to provide E£700m) is allocated to industry out of a total development plan for 1979-83 of E£30.4bn.

GROSS VALUE OF INDUSTRIAL PRODUCTION 1974-1978*

(E£m)

	1974	1975	1976	1977	Jan.-Sept. 1977	Jan.-Sept. 1978
Spinning and weaving products	603.3	690.2	755.8	836.5	625.9	759.0
Public sector	458.2	503.9	563.1	641.1	471.5	594.5
Private sector	145.0	186.3	192.7	195.4	154.4	164.5
Foodstuffs	608.6	698.0	774.8	845.9	653.7	706.5
Public sector	481.6	548.4	591.7	667.3	503.5	561.9
Private sector	127.0	149.6	183.1	178.6	150.2	144.6
Chemicals	195.5	267.4	232.3	279.2	185.9	221.9
Public sector	153.4	207.1	180.4	202.4	147.0	163.2
Private sector	421	60.3	51.9	76.8	38.9	58.7
Engineering and metallurgical products‡	319.6	385.5	446.2	541.4	391.6	461.7
Public sector	271.0	327.9	381.2	471.2	337.6	406.4
Private sector	48.6	57.6	65.0	70.2	54.0	55.3
Building materials	72.1	93.4	20.2	26.9	16.4	20.8
Public sector	59.3	76.8	—	—	—	—
Private sector	12.8	16.6	20.2	26.9	16.4	20.8
Mining products (public sector)	5.7	7.0	7.7	8.3	6.0	7.3
Woodworking products (private sector)	39.3	39.8	60.4	75.0	39.3	41.0
Leather products (private sector)	60.2	86.6	162.2	170.5	127.2	128.9
Total	1,904.3	2,267.9	2,459.6	2,783.7	2,046.0	2,347.1
Public sector	1,429.3	1,671.1	1,724.1	1,990.3	1,465.6	1,733.3
Private sector	475.0	596.8	735.5	793.4	580.4	613.8

* Covers only industries under the supervision of the Ministry of Industry and Mining.
Source: Ministry of Industry and Mining.

In exports, industry suffered a setback in 1976, partly because of the cancellation of a number of bilateral arrangements as Egypt tried to direct its exports more towards convertible currency markets, where price competition is more intense. This redirection has continued and two thirds of exports of industrial goods are now destined for convertible currency countries compared with 30 per cent in 1974.

At the same time, the process of shifting these exports from the official rate to the more realistic parallel exchange rate for th Egyptian pound (completed by February 1977), provided exports with an 80 per cent premium over their previous earnings. This stimulus, combined with higher industrial output, resulted in a 20 per cent increase in industrial exports in 1977, and the further improvement in 1978. However, the final the further improvement in unification of the exchange rate (fixed at the beginning of the year at about 70 cents to the Egyptian pound) may make industrial exports less competitive.

The balance between public and private sectors is about 80 : 20, a legacy of the Nasserite nationalisations of the 1960s, and it is now generally accepted that heavy industry and sectors of social benefit will remain in the public sector, leaving competition from the private sector to medium and light industries, which employs 40 per cent of all industrial workers in this sector. Capital investment has been rising slowly, from E£100m in 1970-71 to E£180m last year. The number of licences granted by the Public Organisation for Industrialisation has risen from 314 in 1970 to over 800 last year, with a notable leap through the 700 mark in 1975, the year after President Sadat's "open door" policy was announced.

Last year, production in the private sector rose by 31 per cent from E£793.4m to E£1.04bn. The largest sectors were spinning and weaving (E£299m), leather (E£249m), and foodstuffs (E£202m), but the swiftest expansion was experienced in the electrical, leather, woodworking and metallurgical industries. Exports rose in 1978 by 3.1 per cent from E£43m to E£44.3m.

But perhaps the most significant and encouraging sign was a rise of 7 per cent in industrial exports to the hard currency markets, suggesting that the private sector is beginning to flourish under competition. According to Mr. Abdel-Hamid Kabodan, the chairman of the Development Industrial Bank, the only bank concerned with medium and light industrial development, private sector industrialists are changing their habits and moving out of more immediately lucrative sectors such as tourism (particularly after the slowdown) and traditional industries such as weaving and textiles to more sophisticated areas such as television circuitry, capital goods, and the food and food-processing industries.

A.McD.

Risk

CONTINUED FROM PREVIOUS PAGE

Minerals, International Maritime of Switzerland and two with CFP are expected—all in the Gulf of Suez.

EGPC is soon to auction 17 concessions in Northern Sinai, both on and offshore, beside 12 others which were auctioned off in 1976, soon after the second disengagement treaty with Israel made them available. Officials speak hopefully of Sinai's prospects but admit that much will depend on whether Israel will share information, otherwise seismic work will have to start virtually from scratch.

Under the agreement with EGPC foreign oil companies are made responsible for all prospecting, and once oil is found, a part of production is earmarked for cost recovery. Usually the company commits itself to a minimum level of expenditure over a period which averages between seven and 12 years. If a commercial discovery is made, production is undertaken jointly with the Government, and expenditure on exploration, development and operations is recovered from the proceeds of between 20 and 40 per cent of oil production or actual costs. (Sixty per cent is now being offered to attract companies to the Western Desert). If actual expenditure exceeds this limit, the balance is transferred to subsequent periods. If it falls short the remainder is either shared between EGPC and the foreign partner or fully paid to EGPC. This portion is known as "cost oil," the remaining "profit oil" is shared between the Government and the company on an agreed basis, usually between 75 and 87 per cent in favour of the Government.

While the Government is fully satisfied with this sort of arrangement, under the impact of soaring oil prices, the companies are becoming less so, arguing that the incentive to keep costs down has been diluted and that in any case production sharing is not the bargain it once was.

TRADE IN CRUDE PETROLEUM AND PETROLEUM PRODUCTS, 1974-78

('000 metric tons)

	1974	1975	1976	1977	First half 1977	First half 1978
Balance of trade (1+2)	— 197	3,551	7,037	9,398	4,191	5,045
1 Crude petroleum	— 139	2,249	5,178	7,739	3,432	4,100
Exports	2,351	4,666	6,744	7,739	3,432	4,100
Egypt's share	(1,342)	(2,398)	(5,619)	(5,981)	(2,810)	(3,104)
Partners' share*	(1,009)	(2,268)	(1,125)	(1,758)	(622)	(996)
Imports†	−2,490	−2,317	−1,566	—	—	—
Of which: grants	(2,454)	(—)	(−927)	(—)	(—)	(—)
2 Petroleum products	— 58	1,232	1,859	1,659	759	945
Exports	852	1,702	2,203	1,958	916	1,178
Imports	— 910	−470	−344	−299	−157	−233
Of which: grants	(— 234)	(—)	(—)	(—)	(—)	(—)
Memorandum item						
Purchase of crude petroleum from partner companies	1,381	1,245	719	541	406	114

* Excludes cost recovery crude exports. † Excludes purchases from partner companies which are detailed in the memorandum item.

Source: Egyptian General Petroleum Corporation.

The massive rise in oil prices and the inconsistency of the spot market has made precise calculation of Egypt's oil income difficult. At present, oil is split in three different directions. About 40 per cent goes for local consumption. Thirty per cent goes to foreign companies as part payment for their agreements (a certain proportion is often sold back to the Government). Another 30 per cent—about 150,000 b/d is thus left for export. All Egypt's available crude for 1979 was auctioned to some nine companies, mainly in Europe, last December, and their prices—often quantities as small as 5,000 b/d have been changing almost on a daily basis. (Prices for crude for the agreement companies changes every quarter).

Thus Egypt, though not a member of OPEC (and now expelled from OAPEC), has been taking advantage of the OPEC rises and asking (and often getting) $26.50 a barrel for 26 degrees API Belayim crude, $32.50 for lighter 32.7 degrees API Morgan crude, and $24.50 for 22.50 degrees API Gharib crude. It is accepted that when normalisation in relations with Israel has taken place then oil will be available—but subject to the same terms as any other commercial bidder.

But while Egypt has undoubtely benefited from the rises in oil prices, it has inevitably had to pay more for its products imports—in the case of naphtha, something like $400 a ton, and this has cut into the net surplus that it had hoped to gain.

In the longer term, considerable hopes are being placed on gas, whose reserves were estimated in 1979 at 71.4m tons. Natural gas production from the Abu Madi field in the delta and Abu Gharadiq and Abu Kir fields in the Western Desert is about 2m tons a year and is being used to fuel industry in the area. Associated gas in the Gulf of Suez is currently about 80 per cent flared off, but the Government is planning to build up the pipeline network to bring this gas both to industrial zones around Suez and to Cairo.

In the short and medium term Egypt is pinning its hopes on raising oil production on the Gulf of Suez. But there are doubts whether in the longer term it will be able to sustain the main burden of the increase towards 1m b/d. Thereafter, it will depend on the Western Desert and perhaps Sinai. But some disquiet is already being expressed at the fact that the policy for the past two and a half decades—that of exploiting reserves at the maximum rate possible to generate hard currency—is being pursued without sufficint thought for conservation. While a committee has been set up to study alternative sources of energy, some officials are wondering—even at a time when the pinch of the Arab boycott is being felt—whether it would not be more prudent to produce sufficient oil just to cover the import of products and to keep as much in the ground as possible for the long term.

A.McD.

Agriculture

Food gap is widening

AGRICULTURE REMAINS the most important sector of the Egyptian economy, but its contribution has been declining, particularly in the past few years. Its share of GDP has declined from 34 per cent in 1956 to 31 per cent in 1975 to 25 per cent last year. Meanwhile the population which Egypt has to feed is increasing at a rate of around 1m or 2.5 per cent a year.

The biggest problem facing Egyptian agriculture, and indeed the economy as a whole, is this widening food gap. Population and consumption are increasing at a faster rate than both agricultural production and export earnings. As a result Egypt is now spending twice as much on agricultural imports as it earns in exports.

In the early 1970s Egypt's agricultural imports averaged $300m. By 1974 the country was running a deficit on its agricultural trade, and in 1977 was importing $1.8bn-worth, while exporting only some $1.1bn. Last year the import bill rose again to $2bn, while exports stagnated at the $1bn mark where they have been for the past few years.

The Government has made food security the priority of its current five year plan for agriculture. Its aim is to improve output through "horizontal growth" by expanding the area under cultivation, through "vertical growth" by increasing productivity and through improved livestock production.

Since less than 4 per cent of the country's land is cultivable; amounting to some 6.2m feddans (6.4m acres). Egypt's only means of increasing the area under cultivation is through land reclamation, in which it has been investing heavily. Since the late 1960s, when the Aswan High Dam was built, it has reclaimed some 912,000 feddans, and under the current plan it aims to add another 657,000 feddans. But experience has shown that this exercise has been more costly than anticipated. The results, too, in terms of yields are very disappointing. The "new lands" contribute only some 2-3 per cent to agricultural output. In addition, some 20,000 to 40,000 feddans of the cultivable land are lost each year to housing and industry.

Another constraint is poor drainage, affecting 80 per cent of the land, which ironically has been the indirectly result of year-round irrigation provided by the High Dam. It has produced a steady rise in the water table, resulting in waterlogging and increased salinity and thus reduced productivity of the soil. It is estimated that improved drainage could increase productivity by 21-30 per cent. The Government is currently undertaking a major tile drainage programme covering 5m feddans, which will not, however, be completed until at least 1985.

The prospects for improving productivity through vertical growth are also limited given the agricultural system. Production is essentially in private hands, with the Government exercising its control through crop quotas for what it regards as the essential crops. It dictates either the area to be planted and sold to the Government, as in the case of cotton, or the output per area to be sold to the Government. In both cases the farmer receives a guaranteed fixed price for these amounts. The main crops governed in this way are cotton, rice wheat and lentils and sugarcane.

But far from promoting the growth of these crops, the system acts as a disincentive since the price paid by the Government is on average between 20 and 50 per cent lower than the market price. To compensate for this the farmer receives free water and drainage along with subsidised seeds, fertilisers and pesticides, but these by no means make up for the lower prices.

In an attempt to counter criticism of its pricing and quota policy the Government raised the price of six of these essential crops in January of this year by around 30 per cent. It is, however, too early to see whether this has proved a stimulus.

Output figures for 1978, meanwhile, give little indication that the Government's target of achieving food security will be met, agricultural output as a whole was up only 1.8 per cent in value at E£2.85bn (£1.8bn), while production per capita was down slightly.

It was an unusually good year for cotton, the chief export crop (dealt with elsewhere in this survey). Cereal production also increased, with output of the main crops—wheat, corn *(maize) and rice up 12 per cent.* But, with the exception of corn, this was largely a return to 1976 levels after the depressed output of 1977.

Wheat is used primarily for making bread, which is the most important item in the diet. The price of bread is heavily subsidised so that it is sold at less than a third of the cost. As a result consumption has increased at the rate of 8 per cent a year. Consequently the demand for wheat and wheat flour is expanding rapidly—public sector bakeries recently increased capacity from 360,500 kg (3,605 sacks) a day to 506,300 kg (5,063 sacks) a day.

Wheat consumption last year is put at 7m tons, a rise of 15 per cent, but only 2m tons of this was produced locally despite the fact that more land is being devoted to wheat at the expense of cotton—up from 1.2m feddans in 1977 to 1.38m last year and 1.4m this year. Thus Egypt only produces some 28 per cent of its wheat needs. To become self-sufficient it would have to devise at least three times the land to wheat that it does now, which would amount to 60 per cent of the cultivable land.

Yields

Egypt, therefore, has to import increasing amounts of wheat—up from 2m tons in the *early 1970s to 5.1m tons last* year, most of it coming from the U.S.

But although Egypt meets only 28 per cent of its wheat needs, it is over 80 per cent self-sufficient in maize, which is the staple diet of the fellah (peasant) and is used in bread-making as well as for cattle and poultry feed. Last year production was up 17 per cent at 3m tons as a result of abnormally high yields and an increase in the area planted. This was the result of the abolition of subsidies on imports in 197, which pushed the farmer's price up 50 per cent—no quotas or prices are fixed on maize.

The rice crop is important to the Government both because it is popular in the urban areas and because it is exported. But due to the low Government price the area planted was down 4 per cent last year, though good yields held production at the 197 level of 2.3m tons. The Government has now increased the price by about 30 per cent, but at E£65 a ton it is still less than the farmer gets for maize. However, the increase is expected to result in a 100,000 feddans rise in the area planted and output of 2.4m tons this year, which should produce some 100,000 tons for export. But it seems likely that before long Egypt will become a net rice importer as consumption outpaces production.

Egypt is now self sufficient in fruit and vegetables and has been able to export increasing amounts. Orange exports last year were around 200,000 tons

Soyabean is a relatively new crop which the farmer is allowed to substitute for cotton in quotas. Since its returns are higher and the labour requirements lower, it has proved popular, so output last year rose to 79,000 tons from 26,000 tons in 1977 and is likely to be 100,00 in 1977 and is likely to be 100,000 tons this year. It is currently grown as poultry feed, but as output expands it is expected to be used for providing vegetable oil. Egypt currently has to import 75 per cent of its oil needs since it produces only some 100,000 tons from cotton seed.

While cereal output has at least recovered to 1977 levels, livestock production, with the exception of poultry, is declining. Last year red meat output totalled 328,500 tons, mainly from buffalo, cattle and sheep. But as per capita income rises, consumption, though still low in relative terms, is expanding to reach 441,000 tons last year, so local output was supplemented with imports of 113,000 tons of beef mainly from Argentina, Australia and Uruguay. This is sold at a subsi*dised rate under ration.*

The main limitation on livestock output is the lack of pasture land and shortage of feed, especially in the summer months. During the winter more and more land is devoted to feed crops such as berseem (clover), grown on the same areas as cotton in the summer. But as this reduces the land available for basic food and cash crops, further expansion is limited. Another factor affecting meat output is that farmers still use their animals to work the land.

Efforts are being made to step up production both of meat and milk, in which Egypt is also deficient, through importing Friesian cows and by cross-breeding local herds with imported semen. This is being done, for instance, by the North Tahrir Agricultural Company, which is also trying to persuade small farmers to delay the slaughtering of young buffalo calves.

To save the mother's milk the farmers tend to kill the calves when only two months old. But at this age they weigh only 50kg, whereas if they are slaughtered at, say, 20 months their weight has increased to 500 kg, which produces some 250 kg of red meat. Since some 400,000 calves are slaughtered each year at two months, the North Tahrir company argues that keeping them all alive until they are 20 months old before slaughtering would produce 112.5m kg or 113,000 tons—the amount Egypt had to import last year. So this system could, in theory, make Egypt self-sufficient.

But despite such efforts, Mr. Mohamed el Salhy, first Under-Secretary at the Ministry of Agriculture, says it will take Egypt another 15 years at least to become anything like self-sufficient. He regards poultry as the best means of increasing meat protein. Poultry production has been steadily increasing over the past ten years, with meat and eggs output virtually doubling to 115,000 tons and 1.9bn eggs last year. Even so, Egypt still has to import frozen poultry, and the current year's estimate is 20,000 tons.

Fish is potentially a relatively cheap source of protein in Egypt, but so far little has been achieved in either promoting consumption or boosting output. Under the current plan, however, efforts are being made both to expand the capacity of the fishing fleet and to set up fish farms.

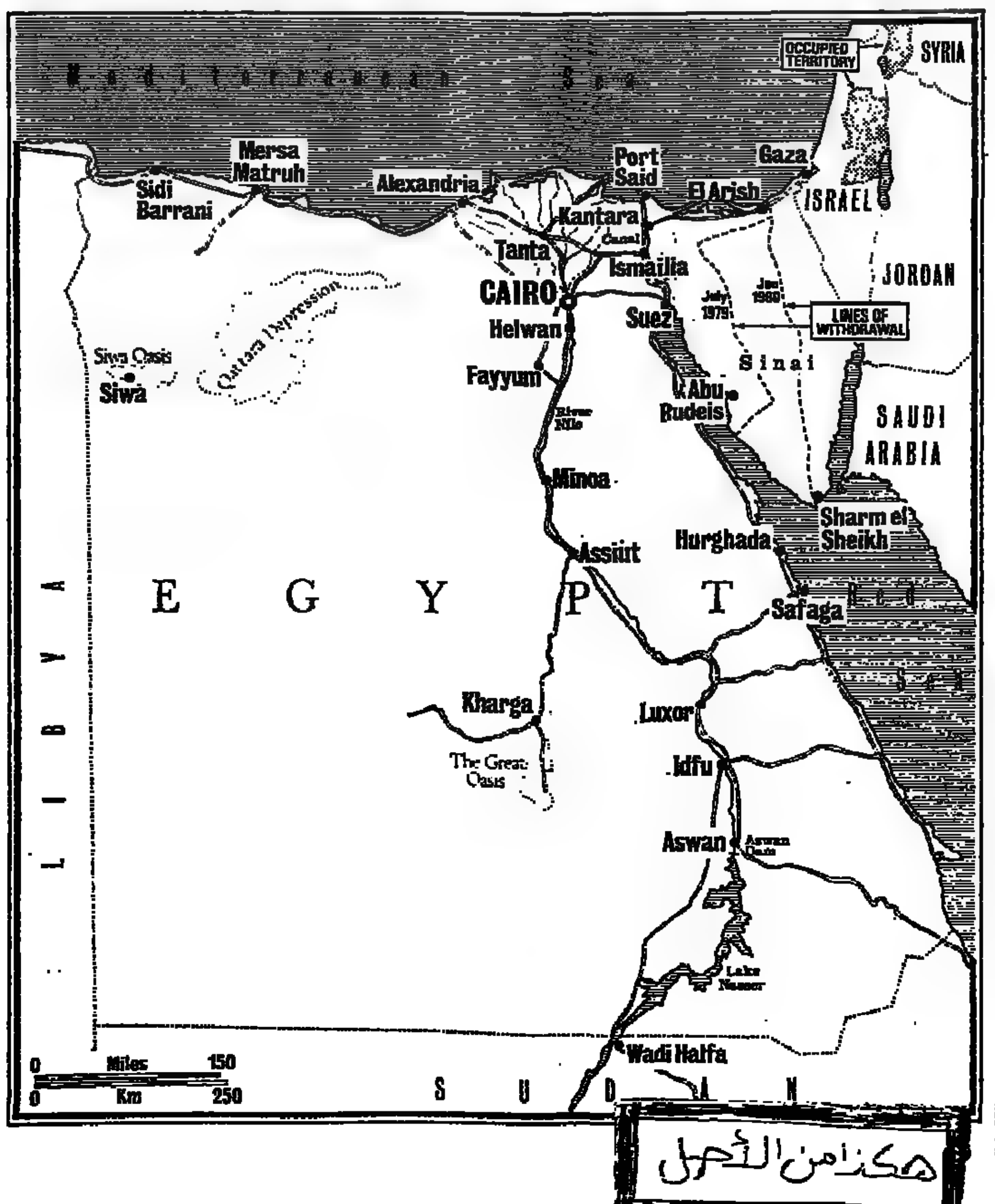
A much more successful sec*tor of Egyptian agriculture is* fruit and vegetable growing, where there is no Government control or price fixing, except at the retail level. Since farmers are able to grow three crops a year with high returns, they are devoting more and more of their land to these crops. The land used for vegetables has increased from 670,000 feddans ten years ago to 915,000 feddans last year, which is to be increased to 970,000 feddans this year, while the orchard area has expanded over the same period from 208,000 feddans to 330,000 feddans.

As a result Egypt is self-sufficient in fruit and vegetables and is able to export an increasing amount, mainly to the EEC and the Middle East. The main vegetables exported are potatoes, of which around 166,124 tons are exported, and onions of which 80,900 tons are exported. The main fruit export is sweet oranges, averaging around 200,000 tons a year.

Fruit and vegetables—the very area over which the Government has no control or direction—appears to be the only sector where Egypt has been successful in achieving food security. Significantly it is the only area, along with poultry, which has attracted foreign investment. Egypt clearly has no chance in the foreseeable future of achieving self-sufficiency in food. Even recognising that food security does not necessarily mean self-sufficiency, Egypt is still no nearer its plan target. Its agricultural exports are stagnating while their buying power is decreasing in terms of the imports they can finance.

Egypt's dilemma is that its food crops are competing with its cash crops for the limited land available. Yet there appears to have been no real evaluation, let alone decision, as to which is the most economic for the country to pursue.

Margaret Hughes



THE SUEZ CANAL
IN BRIEF

Historical Outline
Opened for navigation on 17-11-1869, closed in June 1967 due to 1967 war and reopened on June 5, 1975 following the October 1973 war.

Length	173 kms
Breadth between buoys	110 m
Permissible draught	38 ft
Permissible speed	11-15 kph

Evolution of traffic from 1975 till June 1979

Year	Ships Total '000 vessels	Daily av. (vessels)	Net tonnage Total (million tons)	Daily av. '000 tons
1975	5,640	26.9	50.4	240
1976	16,944	46.4	187.8	513
1977	20,125	55.1	220.5	604
1978	21,999	60.3	248.3	680
Till 1.6.1979	9,068	60.5	105.3	602
	73,826		812.3	

Suez Canal Development Project:
In 1976 SCA embarked on executing a two-stage giant project for developing the SC due to be completed by 1983.

First Stage:
Scheduled to be accomplished by mid-1980, and aims at stepping up the wet cross section area to about 3,700 square metres and the permissible draught to 53 feet: thus allowing vessels up to 150,000 tons to transit fully loaded, and up to 370,000 tons in ballast.

Second Stage:
Aims at stepping up the wet cross sectional area to about 52,000 square metres and the permissible draught to 67 feet; thus allowing vessels up to 250,000 tons to transit fully loaded and up to 700,000 tons in ballast.

The Giant Project in figures

Item	Volume of work Total	Executed till 1.6.79
1) Dry excavation work (million cubic metres)	88.6	99%
2) Dredging work (million cubic metres)	560	64%
3) Decantation basins (million cubic metres)	11.7	94%
4) Removing old revetments (kms.)	131	30%
5) Constructing new revetments (kms.)	141	83%

Vessels Traffic Management System:
The main purpose of the VTMS is to enhance safety of transit in the Canal especially for very large vessels expected to transit the Canal after its development. The VTMS also aims at collecting accurate and comprehensive data about the traffic situation and displaying them to the decision maker in the operation centres.
The system comprises 3 radar stations, a loran C system covering the Canal area and wireless communications between transiting vessels and the main movement office. It costs U.S.$17.8 million and is scheduled to be accomplished by 1980.

The SCA fleet of Dredgers

No.	Category	Max. depth of dredging (m)	Dredging m³	In service
1 Mahmoud Yonis	Cutter suction	25.30	800	1978
2 10 Ramadan	" "	19.00	400	1955
26 July	" "	18.00	700	1957
Khofo	" "	21.00	800	1964
Nevertiti	" "	8.00	60	1968
Zenobia	" "	18.00	200	1969
1st September	" "	18.00	200	1970
Tarek Ibn Zeyad	" "	30.00	1,800	1977
Khalid Ebn Al-Walid	" "	30.00	1,800	1977
Ramsis	" "	18.00	620	1960
Salah El-Din	" "	30.00	2,200	1977
Khafra	Bucket	14.00	200	1913
Mina 1	"	24.65	300	1973
Mina 2	"	22.30	200	1976

SCA Fleet of Dredgers: Comprising 14 dredgers of different types and capacities and they are deployed in executing 132 million cubic metres in the development project.

Cotton

Too little available for export

FOR OVER a century Egypt's economy has revolved around cotton. It has been the chief influence on both the country's economic and social life. Cotton has been the farmer's main source of income dictating crop rotation and land allocation. It is the commodity around which the rest of the agricultural sector—still the main element in the Egyptian economy—has developed. And through textiles production it has provided the main stimulus for Egypt's industrial development.

Cotton's role has been equally important externally. It has been the main source of foreign exchange earnings, traditionally accounting for 50 per cent or more of the total. In 1977 it was overtaken by petroleum as the chief export earner, but it nevertheless remains an important factor in Egypt's foreign exchange earnings, though it now accounts for only some 25 per cent of exports. Cotton is still by far the largest agricultural export, representing between 60 and 75 per cent of the total.

But at a time when world demand is swinging back towards natural fibres, in an admittedly depressed fibres market, Egypt's ability to benefit is being limited by the reduction in quantities available for export. The reasons for this are twofold. In the first place the area devoted to cotton planting has been declining while at the same time domestic consumption by Egypt's own textile industry has been increasing.

As a result the amount available for export has been steadily falling. Since 1972-73 when 6.01m metric cantars (301,840 tons) were exported the volume has been more than halved so that in 1977-78 only 2.49 cantars were exported. Last year, however, the quantity contracted *for export increased to 3m* cantars earning E£135m ($192m), but this was due to the unusually high yields of last year's crop. In the current marketing year (1979-80) the amount for export is expected to be 10 per cent less at 2.7m cantars.

The yield last year was a record 7.38 cantars per feddan (1.038 acres) compared with 5.46 cantars in 1977-78—an average yield. So that production surpassed expectations to the tune of 1m cantars despite an almost 17 per cent reduction in the area planted. *Production* totalled 8.8m cantars from 1.18m feddans, compared with 7.76m cantars from 1.42m feddans in the previous year—a 13 per cent increase.

But this performance is not expected to be repeated in the current year. According to Mr. Ezz el Dine Hegazi, president of Al Kahira Cotton (one of Egypt's six cotton exporting companies), last year was "one in a 100" when all the conditions necessary for optimum cotton production came right.

The area planted this year is about the same—1.2m feddans—which is expected to produce 7.5m cantars, the crop estimate being based on the average yield over the past five years. But no real prediction can be made until August. Both Mr. Hegazi and Dr. Abdel-Latif Issa, under secretary at the Ministry of Agriculture, say that the present condition of the crop is good in terms of insect and pest control, though there has been boll weevil activity in some areas.

However Mr. Hegazi said that weather conditions during the June flowering period were causing some concern. He pointed out that during this period there had been 15 consecutive days when the temperature had reached 40 degrees centigrade.

When temperatures rise above the 38 degrees mark at this stage it can interfere with pollination affecting boll formation, which could result in a smaller crop.

But more of a problem than yields—Egyptian yields are among the highest in the world—is the reduction in the area devoted to cotton planting coupled with the increasing demand of the local textile industry. The cotton companies are only able to export production that is surplus to domestic requirements.

Egypt's handicap is that it only has some 6.2m feddans of cultivable land—4 per cent of the land area. With a population increasing at the rate of 1m a year, there is an ever expanding demand on the land available for food crops. The emphasis of the current five-year plan is "food security." Added to which there is further pressure on land for housing and industrial development.

Obliged

As a result the amount given over to cotton planting has fallen from 1.7m feddans in the 1950s and 1960s to about 1.2m in recent years, so that nowadays about 20 per cent of the cultivable land is devoted to cotton during the summer months compared with about 30 per cent previously. The land area devoted to cotton crops is determined by the Government on an area-quota basis whereby the farmer is obliged to devote a fixed amount of his land to cotton.

The farmer is then obliged to sell all his production to the Ministry of Agriculture at a *price fixed by the Government* which represents only about 20 per cent of the export value. Against this the farmer gets free drainage and irrigation, while other inputs such as seeds, fertiliser and pesticides are subsidised. They are also allocated and distributed by the Government.

But the farmers would prefer to pay the market price for these inputs and be paid the market price for their crops. This would also ensure that they obtained these inputs in the quantities in which they are needed and at the time when they are needed—which is frequently not the case at present.

The result is that farmers are devoting more and more of their land to other more profitable crops, particularly fruit and vegetables, which are not controlled. The farmer is liable to a fine if he does not fulfil his cotton planting quota, but it is apparently fairly easy to escape this penalty.

With better incentives, the cotton exporting companies argue, the farmer would voluntarily devote more of his land to cotton and put more effort into his crop so that both yields and quality would be improved.

Somewhat belatedly the Government appeared to be taking a step in this direction by announcing a price increase of almost 30 per cent in January this year. This brings the average price — which varies with grade-up to about E£281.5 a ton ($402). It is also investing heavily in land reclamation to free more land for agricultural development. But it is both a slow and costly process, and, in the meantime cotton consumption by domestic textile industry is increasing rapidly.

The industry itself developed as a natural progression from cotton growing and dates back to the 1920s. Then production was geared to the local market, but by the 1950s output was higher than domestic demand could absorb and so the producers turned to exporting. This is a side of its activities which has taken on increasing importance as another source of foreign exchange earnings. Exports, which totalled only 840 tons in 1949, were 53,550 tons last year, representing 41 per cent of total output and earning E£137m. The forecast for export earnings in the current year is E£165m.

But this expansion has also brought its problems—both for the industry and the raw cotton exporters. As the industry expands so too does its consumption of Egyptian cotton. In 1933 the industry consumed 27 per cent of cotton output, but by 1973 this had risen to 41 per cent and last year was up again at 60 per cent. Last year it used about 5.8m cantans and this year consumption is expected to be 6.2m cantans—a 7 per cent increase.

It now uses all the medium stapled cotton produced in Egypt, which is about a third of the total output, together with increasingly large quantities of the top quality long *staple and extra long staple*. The problem is that the end product is at the lower to medium end of the market, which loses Egypt valuable export earnings for its cotton and makes the textile product uncompetitive on world markets.

There have been attempts to solve the problem. Industry, backed by the cotton exporters, have wanted to import cheaper short staple cotton, but this was prohibited by law, mainly because of fears that the local crop would be open to contamination by insects and pests brought in with the imports. So in 1953 the Cotton Consolidation Fund was set up. Its function was to promote exports of textile products through quality control and marketing studies on the one hand an by compensating the industry for the high cost of its raw material on the other. The fund is financed by the industry itself, including the cotton spinners, and makes up the difference between the cost of Egyptian cotton and the cost of the cheaper varieties used by its competitors, which is up to 40 per cent cheaper.

However, this did not solve the problem for the cotton exporters, while the amount of funds involved has increased rapidly. Eventually the Government was persuaded to import some short staple cotton to free more Egyptian cotton for export and at the same time make the textile industry more competitive in real terms.

Strict

This was started on a trial basis five years ago and then in 1976-77 some 100,000 bales were imported. Most of it comes from the U.S.—financed through USAID, the Commodity Import Programme (CIP) and Arab funding—and from Sudan through oil barter deals. But it is allowed in only under the strictest regulations. In the first place the cotton has to be fumigated both at the exporter's end and at the Egyptian end, and it can only be used by mills which are at least 30 km away from cotton growing areas. This means that it is only used by mills in the Alexandria area, which constitute some 40 per cent of the textile industry.

The amount imported has been gradually increased to about 154,000 bales last year—593,000 cantars. This year imports are expected to be around 1m cantars since cotton production will probably be lower while industry's requirements will be up.

All textile products produced from this imported cotton have to be sold locally so that the Cotton Consolidation Fund still operates for exported products.

The textile industry is currently going through a period of rejuvenation and expansion involving an anticipated 50 per cent increase in output. The five year plan aims at lifting production by E£448m a year by 1982 and exports by E£136m a year. Given the limitations on cotton availability, the industry *is stepping up output of synthetic fibres* from a current 12,000 tonnes a year to 25,000 tonnes by 1980 and up to 50,000 tonnes a year by 1985.

Even so if Egypt is not to jeopardise its cotton export potential the pressure on the Government to allow much larger imports of shorter staple cotton must increase. And indeed the Ministry of Agriculture is understood to be studying posible methods for transporting the imported cotton to the mills in the cotton growing areas in such a way that there would be no possibility of contaminating the local crop.

Margaret Hughes

Construction

International market

PRESIDENT SADAT'S economic liberalisation has opened the long-closed Egyptian market to international builders, designers and engineers. Before 1974, scarcely a foreign contractor could be found operating in Egypt. Now, the giant cranes of British, American, Italian, Swiss and South Korean firms, to name a few, stalk the Cairo skyline.

The need to erect office space, housing and hotels fast spurred the decision to admit outsiders to the Egyptian construction field. More than a decade of economic isolation under the late President Nasser left the Egyptian building industry slow and antiquated. International talent had to be introduced if Egyptians were to see a quick payoff from Mr. Sadat's peace initiative and open-door economic policy.

Financing for international projects in Egypt has come from two main sources: the petroleum exporting states and aid programmes. Arab investors are backing many of the hotels, luxury apartments and office buildings going up in the Cairo and Alexandria areas.

So far British companies have won the lion's share of private construction contracts. For example, Higgs and Hill (UK) has just completed the twin 38 storey cores of Cairo's tallest building, the $72m Cairo Plaza office and residential complex. J. Jarvis and Sons (UK) is putting up the $6m Sarwat office block in downtown Cairo. Both structures belong to the empire of Egypt's leading individual property developer, Waguih Hamdi. Mr. Hamdi controls at least $200m worth of projects from the cramped offices of the el Shams company in the Immobilia Building in Central Cairo. Among Hamdi's backers are the Saudi financier Mr. Adnan Khashoggi and a group called the Misr-Abu Dhabi Property Development Company.

To lower their tax profiles, many developers and international contractors form joint ventures with Egyptian companies under Law 43 of 1974. Law 43 provides certain customs exemptions on imported building materials and equipment and five-year tax holidays for Egyptian-foreign *ventures approved by the some*times whimsical Investment Authority. A rule that Law 43 construction companies must be 50 per cent Egyptian owned is a drawback on occasion. Suitable Egyptian partners are hard to find. As private contracting was virtually banned during the Nasser years, private Egyptian contractors lack experience.

Attitudes

International companies *working in tandem with some* of the Government-owned construction giants have been hampered by casual attitudes toward payments and schedules. However, such public sector companies as the Arab Contractors (Osman Ahmed Osman and Co.) and Hassan Allam have established private branches to try to cope with the new economic climate.

Other factors that hinder the Egyptian construction industry include customs snarl-ups and an inadequate supply of cement. There is a shortage of skilled manpower, due in part to the mass emigration of Egyptian labourers to the Arab oil exporting states. This situation could change if the Arab countries started to cut back on Egyptian labour.

As many Egyptian projects are Arab funded, the nasty political climate that prevails between Egypt and most other Arab countries threatens to damage the Egyptian construction industry. Already, it is reported that a Saudi Prince withdrew his financing from a $10m office block planned for Cairo's Zamalek district. The *Saudi decision to liquidate* the Egypt-based joint Arab arms concern, the Arab Organisation for Industrialisation (AOI), affected two AOI-employed British construction firms, John Laing and Cementation International. Both are now reported to be back at work, but the future of the AOI plants after the recently announced Egyptian takeover is uncertain, many expatriate builders in Cairo are pessimistic about chances for more Egyptian contracts.

A few optimists like the American Mr. James Cosgrove, chairman of Cosmer International, point to Egypt's massive housing shortage and inadequate supply of medium-priced hotel beds as guarantees of a rosy construction future. But calculations based on Ministry of Planning statistics for the first nine months of 1978 show that real growth in the industry slowed to 4.7 per cent, down from 12.3 per cent in 1977. The Ministry puts the market size for 1977 at E£285m (£180m).

The housing deficit, estimated by a U.S. financed study at 500,000 units for Cairo alone, has become a major political liability. Mr. Cosgrove things tunnel form and other rapid building methods are the only solution. He says they are now cheaper and faster than the traditional Egyptian techniques, characterised by huge crews pouring concrete from straw sacks. Unfortunately, the Egyptian Government has yet to hit upon an effective mechanism for financing low income dwellings. Little mortgage money is available. Credit is parcelled *out through informal systems* and by loan sharks.

Through regulatory means the Government is trying to channel private funds into low and medium priced housing, office buildings and three star hotels at the expense of luxury apartments and five star hotels. The 1979-83 five-year plan calls for public expenditure of $715m on housing.

The giant western and multilateral aid programmes operating in Egypt are cause for some optimism. The U.S. Agency for International Development (USAID) alone is now committing $500m a year to Egyptian project support. Plagued by poor performance by Egyptian contractors on such projects as the Suez Cement plant, USAID plans to tender more construction to American companies and to seek more American management participation. West German officials express parallel intentions for their assistance programme.

S.R.

Tourism

Squeezed from two sides

A YEAR ago getting a hotel bed in Cairo was a major feat against the challenge of year-round occupancy of 98 per cent. This is still largely true for the de-luxe hotels, but for hoteliers in the four-star category and under those days are gone.

These hotels are now operating at 60 per cent occupancy—the generally acknowledged break-even point—and often below that. Such is their problem that cries for help are going out to travel agents, taxi drivers, airport staff, anyone in an effort to drum up guests.

Egypt's tourist industry is being squeezed from two directions. On the one side is the economic boycott by Arab countries opposed to Egypt's peace treaty with Israel. On the other is the hotel building fever which has gripped Egypt, and Cairo in particular.

Egypt has traditionally been a popular holiday location for Arabs, the attraction being its more comfortable climate, common language and more liberal environment with its casinos, nightclubs and other pleasures. Until quite recently Arab tourism to Egypt had been growing at around 15 per cent a year so that Arabs accounted for over 56 per cent of tourists to Egypt and about 70 per cent of tourist nights.

Since 1973 the oil-rich Arabs have been a lucrative source of business and were expected to remain so. But that was before President Sadat's peace negotiations with Israel. In the month following his historic visit to Jerusalem there was a 35 per cent drop in the number of Arabs visiting Egypt compared with the previous year. This resulted in an 11 per cent drop in Arab tourists in 1977 as a whole from the 1976 peak when 594,531 Arab tourists visited Egypt. But still the number of big-spending Saudi Arabian visitors continued to rise sharply —up 32 per cent.

Recovery

Last year there was a further decline of 4 per cent in Arab visitors. Then in the first quarter of this year there was some recovery—a 14.3 per cent rise on the same period of 1978. But April, 1979—the month after the signing of the peace treaty—brought a sharp reversal with a 22 per cent decline on the previous year's total. This time the number of Saudis, who unlike their fellow Arabs—the Jordanians, Iraqis and Syrians—had continued to come in droves to Egypt, also registered a fall of 33.9 per cent.

July and August form the main season for Arab tourists when Cairo's hotels, apartments, car hire companies and taxis overflow with Arabs. There is a long-standing joke in Cairo that during these months the only chance of picking up a taxi is to sport a kuffiya (Arab head-dress).

But this summer the kuffyia is noticeable only by its absence. The management at that refuge for Arab tourists in Cairo, the Sheraton Hotel, claims that, in June, Arabs still represented 29.6 per cent of their hotel guests (against a previous 50 per cent). But during a 3½ week stay in Egypt during July I saw precisely three Arabs and no one else, be they Government officials, car drivers, or whoever, was able to up that score.

In a working paper submitted to the Tokyo Summit outlining the effects of the Arab boycott, the Egyptian Government pre*dicted that tourist proceeds* would probably be down by 50 per cent this year. Although expectations are that there will be a sharp reduction, this forecast is generally regarded as an exaggeration—as is the figure put on total receipts last year of $1bn. The research and statistics division of the Ministry of Tourism calculates last year's receipts at E£480m ($685.7m), representing a 10 per cent increase on the 1977 total.

Mr. Moustafa Zeitoun, director general of the division, estimates that receipts may well be up 8 per cent in the current year and anticipates a level of between E£1.2bn ($1.7bn) and E£1.4bn ($2bn) by 1983.

His forecasts are based on the fact that Arabs in any case no longer represent over half Egypt's tourists. Last year when the tourist total was up 5 per cent (and tourist nights by 12.5 per cent) the Arab share had dropped to 45 per cent. The increase in tourists from OECD countries, and the U.S. and Europe in particular, was 14 per cent, which more than made up for the drop in Arab visitors. And the Americans, at least, are reckoned to be good spenders, albeit not on the Arab scale.

But while it is true that the number of OECD tourists is continuing to increase it is at a decelerating rate. In addition tourists are staying for shorter periods and generally spending less.

In the current year there was a 13.3 per cent increase in tourist arrivals during the first quarter compared with a rise of only 5.0 per cent in the same period last year. But by April this growth rate had fallen back to only 1.8 per cent, while May registered a decline of 2 per cent—though admittedly neither month is in the high tourist season.

So that while the year got off to a relatively good start, the April and May downturn reduced the growth rate over the first five months to 7.4 per cent. The Arab desertion in the peak season is likely to put paid even to this increase and will undoubtedly have an adverse effect on tourist receipts this year.

At this time of the year it is still too early to assess how adverse the effect will be—probably not as great as the Government's prediction to the Tokyo Summit but worse than Mr. Zeitoun envisages—unless there is a surge in OECD tourists in the winter months, their traditional Egyptian season.

Tourism is the fourth most important item on Egypt's export account, accounting for around 10 per cent of the total after oil, cotton and workers' remittances. It represents over 14 per cent of commodity exports and almost a third of invisibles. Tourism receipts cover 15.5 per cent of the trade deficit and 16.5 per cent of the balance of payments deficit, so *that a sustained downturn in the* tourist industry would inevitably have a marked effect on the economy and on Egypt's development plans.

The more optimistic Egyptians believe that the Arab problem will resolve itself. They see Arab individuals returing whatever their Government's official line, while they argue that the attitudes may well soften too.

Compound

But the Arab issue is not Egypt's only problem, though it does compound the other. Under its five-year plan running from 1978 to 1982, Egypt anticipates a virtual doubling in tourists from the 1977 level of 1,003,936 to 2m by 1982-83, although this now seems to have been revised to nearer 1.7m.

To cope with this influx it was intended to increase the number of hotel rooms by 17,000 according to Mr. Ezzat el Masry, director-general of the Ministry of Tourism's planning department. But he predicts that in practice the number of extra rooms will far exceed this as a result of the current hotel building boom. Mr. el Masry says that if all the new hotel projects are completed some 15,000 rooms will be added to Cairo's hotel capacity alone, almost double the plan target of 8,500. Over 10,000 of these rooms in Cairo and its environs will be in the five and four star hotel category.

In the past all the de-luxe hotels have been Government owned, usually through EGOTH, the Egyptian General Organisation for Tourism and Hotels, and are managed by foreign companies such as Hilton, Sheraton *and Meridien. Though EGOTH* is continuing to build new hotels in this category many of the projects for hotels in this category are now being undertaken either as joint ventures with EGOTH or other Government companies such as MISR Hotels and private investors, while nine projects in Cairo are entirely private investments.

Previously private investment was largely confined to the smaller hotels at the lower end of the market. But investors have now been lured into the top end of the business both by President Sadat's open door policy and by the outstanding profitability of Egyptian hotels. Gross operating profits at 45 per cent of sales are among the highest in the world—the Cairo Sheraton (owned by EGOTH), for instance, is the group's most profitable hotel anywhere.

The trouble is that too many have been lured at the same time. Even without the decline in Arab tourists, there would probably be too many hotel rooms in the de-luxe class, at least, in Cairo. If the Arabs stay away then the situation will be much worse. In official circles there is some relief that projects may be shelved through lack of investment—either because the Arabs are withdrawing their financial supoprt or because others will hold back until they are assured that the present situation is no more than a temporary hiccup.

Most of the big hotels being built with Arab finance are well under way and are expected to be completed. However, one project yet to be started is the 850-room joint venture Semiramis Hotel in Cairo, which will be Intercontinental's first management participation in Egypt. This is being partially financed by Saudi funds, but although some doubts have been expressed there is no indication so far that this support is being withdrawn.

But at the lower end of the market there have been instances where money has run out half way through construction, while in others the construction work as such has been completed but there has been insufficient finance for installing air conditioning and other services. Several companies are said to be in financial difficulties.

With or without the Arabs, Egypt undoubtedly has strong tourist potential and not just for its historical features, which generally attract the more well-heeled and culturally minded American and European visitor. There is considerable scope for attracting the younger and medium income tourist to the cultural centres in Cairo, Luxor and Aswan. In addition there is scope—though not yet the facilities on any scale or the infrastructure—for recreational tourism. This would be based on the magnificent beaches and spectacular scenery along the Mediterranean and Red Sea coasts.

But although the potential is clearly there so too is the danger of attempting too much too quickly. The limited Government finance, management skills and trained staff available might best be used in improving the services and infrastructure of the existing tourist centres.

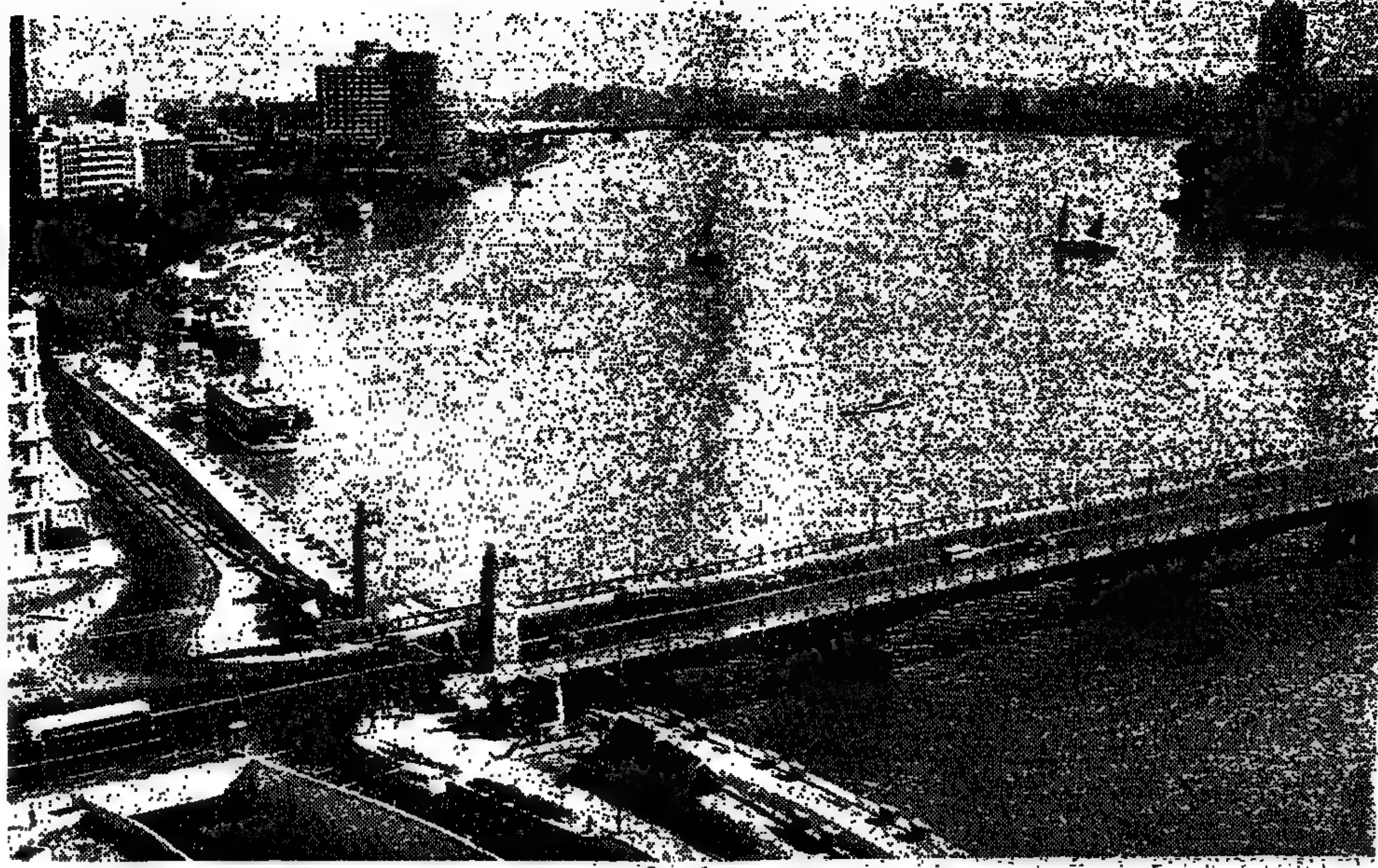
The loss of the captive Arab market must surely prompt a reappraisal of Egypt's attitude to tourism, since it will now have actively to plan and market its tourist attractions. This is clearly the view of Mr. Abderahman Selim, investments director at the Ministry of Tourism.

Spread

One of the problems is that responsibility for tourism is *spread among too many minis*tries so that there is little co-ordination or central planning. As he rifles through piles of conflicting and out of date documents and papers, Mr. Selim said he felt strongly that there was an urgent need to establish a central data bank on tourism. In this way, he argued, everything relating to tourism could be continuously monitored so that Egypt could effectively plan and market its tourist industry. He confirmed that the Ministry of Tourism was currently negotiating with a local travel concern to establish a consultancy which would set up such a system and be involved on a day to day basis in all aspects of Egyptian tourism.

Egypt is clearly at a crucial stage in its tourism development where it has to take steps to ensure that its rich tourist potential is used effectively to boost its ailing economy and benefit the country as a whole.

M.H.

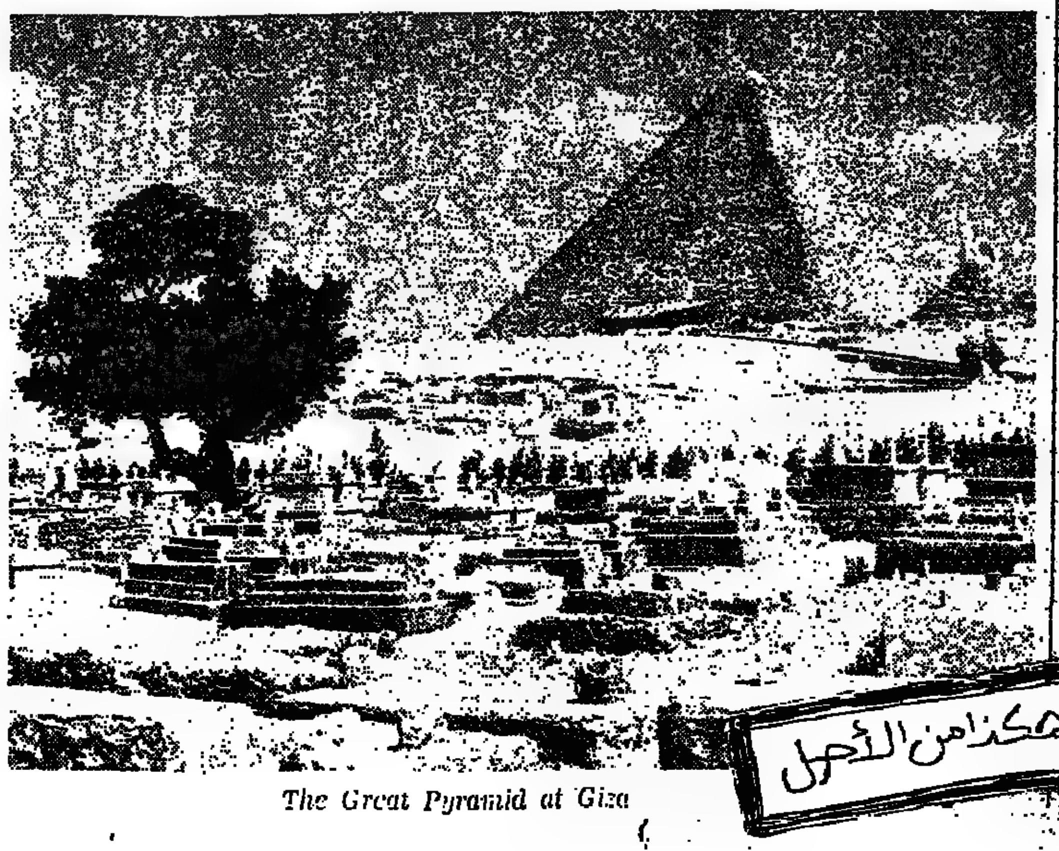


The Nile seen from the Cairo Hilton

TOURIST ARRIVALS

	Number of tourists	of whom Arabs
1977	1,003,936	474,946
1978	1,051,848	455,000
January-March	218,741	77,191
April	87,830	27,492
May	79,853	32,234
1979		
January-March	247,822	88,215
April	89,414	21,486
May	77,792	28,507

Source: Ministry of Tourism



The Great Pyramid at Giza

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Permanent crisis in Italy: **By RUPERT CORNWELL in Rome**

A truce at holiday time

ITALY might seem the living vindication of laissez-faire gone wild to a casual observer. By Tuesday the country will have been exactly six months without a government enjoying a *parliamentary majority. It is* the longest hiatus ever, even by Italy's extravagant standards, and testament to the stalemate which now paralyses its political system.

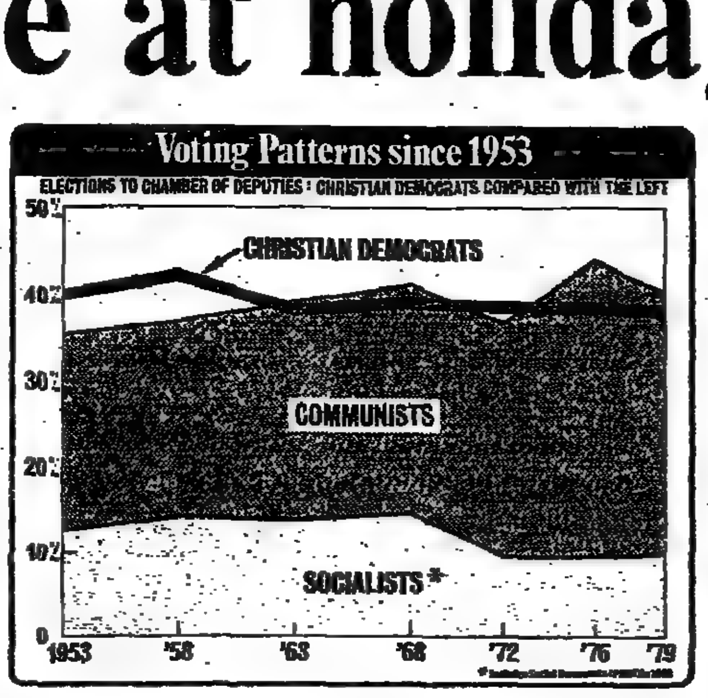
Sig. Giovanni Agnelli, chairman of Fiat and as such the figurehead of North Italian capitalism, remarked to his shareholders last week that during this period central Government has not merely failed to intervene in the economy, but has been totally indifferent to its progress. As usual, he went on, things had been left to the Bank of Italy, at a time when the international outlook was steadily worsening.

Why not, one might ask. Despite the increase of the oil price, despite the threatened recession in the U.S., economic growth this year is forecast to reach almost 5 per cent. This figure, *incidentally, is* higher than that foreseen last January in the celebrated three year plan of Sig. Filippo Maria Pandolfi—Treasury Minister, and since Friday the third Prime Minister Designate in less than a month. His plan was an early casualty of the political crisis.

The trade balance is respectable; payments are in solid surplus, and the lira outperforms almost every currency in Europe *(except, of course, sterling,* that other improbable star). Gold and currency reserves exceed \$30bn and (crowning delight for the monetary purists), the absence of a functioning parliament to vote new government spending means that the public sector deficit, representing up to 15 per cent of GNP, might actually decline this year.

The Government (in the person of Sig. Vincenzo Scotti, Labour Minister in the caretaker cabinet of Sig. Giulio Andreotti) did, however, intervene enough to secure agreement between management and unions on wage contracts for the next three years, covering 3m workers in the engineering, textile, building and other sectors. Free, therefore, from the anxiety of a "hot" autumn of *strikes and disruption, all* can stream off for the holiday month of August.

They will join an unprece*dented army of foreign visitors,* undeterred by terrorism, vandalism, and fuel shortages, who are *expected* to endow Italy with its largest-ever foreign currency tourist income this year, of over \$6bn.



Governo-ponte

Only the politicians remain condemned to the summer swelter of Rome as long as it takes them to agree on enough to provide a new government with sufficient votes to survive a confidence debate in parliament. *The delicacy of the process can* be measured by the exotic terminology being bandied around. In the old days such operations were known as *installing* a *governo-ponte* or *governo-balneare*, meaning bridging or beach government, while everyone was at the seaside. The one Sig. Pandolfi is trying to construct has been variously dubbed *di tregua* (of truce), *di decantazione* (of decantation), *or even di raffredamento (for* cooling down).

The implication always is the same — that what emerges will be a holding solution, to allow feelings to cool down, and the Christian Democrats, the largest party, to settle their own profound internal divisions at their party congress (which might be a night of the long knives) later this year. This demonstrates only too clearly the ex*traordinary contortions* which alone seem to be able to offer Italy a Government of any kind. Ungovernability is the inelegant word more and more used, denoting not so much that Governments hardly govern. but *that governments can hardly be* formed at all.

The dismal predictions that the General Election in June *would settle nothing have erred* only if possible on the side of optimism. President Pertini's bold choice of Sig. Bettino Craxi, the Socialist leader, to have the second crack (after Sig. Andreotti, the caretaker Christian Democrat Prime Minister) at putting together a majority had the desired effect of making the various parties show their hands—but at the price of exacerbating differences between them.

Relations between Christian Democrats and Socialists have never been worse than now. Yet assuming the Communists remain in opposition, Italy's eighth post-war parliament must rest on some accommodation between the two if it is to have *any lasting life.* In the rancorous aftermath of Sig. Craxi's veto by the Christian Democrats, this looks remoter than ever.

Power is the goal of every political party, but by refusing to relinquish their 34-year grip *on the prime ministership*, the Christian Democrats have reduced, for the time being at least, their chances of heading *any "political" Government (as* opposed to non-political government of experts). By far the biggest of the parties of Government, they remain vital to any solution. But they are no longer big enough, or liked enough, to impose their own.

It may be that their congress *will throw up a new leadership* much more favourable to the idea of concessions to the Socialists, in which case a new start may become possible. Sig. Pandolfi may or may not be able to arrange the truce. If he does, it will be because the politicians are exhausted, and, for all their differences, conscious that another debacle could have unpredictable and dangerous consequences, by proving that Italy *really is ungovernable in every* sense of the word.

The cynic might ask: so what? Life goes on without noticeable change. Has not Italy been run on a hand-to-mouth basis for decades? Are not the effective parts of the economy mostly those where the Government is conspicuous by its absence? What about the flourishing submerged economy? Have programmes and policies in the Anglo-Saxon sense, ever counted for very much? Indeed, is not the politicians' contact with the real life of the country limited to the dispensing of patronage?

There may be truth in all these points. Sig. Pandolfi, though, might prove different, if given the chance. He is firmly identified with a properly planned economy. The rigour implicit in his three year programme is one main doubt (the other being Socialist misgivings about any Christian Democrat Prime Minister, however much a "*technician*") *being* advanced about his prospects of success. More important, though, is the accumulating evidence of the need to fill the six-month vacuum.

In the first place, the political chaos is beginning to catch up now with the device of the *Decree Law, long employed* by Governments to make executive decisions without at once submitting them to an unpredictable parliament. Smaller groups like the Radicals, strengthened in the June election, have declared war on them. Without some form of order being *restored to Parliament, a growing* number of decree laws are likely to lapse after their initial 60-day life.

Inertia

Second, it is doubtful whether even Italy, with its track record of supreme economic scrambling (to use the golfing metaphor), will remain immune from world economic problems much longer. *Isco, the official forecasting* institute, in a report this weekend bitterly attacked the inertia which has thrown away a rare chance of starting to put the economy on a sounder medium-term footing.

Its message is that the boom, such as it was, is already over. With the autumn there will start a new phase, of higher inflation and sluggish growth, giving way to virtual stagnation next year. Higher prices will cast a shadow over Italian competitivity abroad. Instead of *doing nothing, the Government* is likely to face the dilemma it has so far been able to avoid: of choosing between policies to support growth, and policies to provide external stability.

The seeds of the trouble had been sown before the oil crisis exacerbated matters. Inflation, instead of diminishing as Sig. Pandolfi's plan envisaged, is now running at 14 or 15 per cent, against 12 per cent last *year. Labour peace may prove* to have been bought at a very high cost: Fiat, the car group in the frontline of the bitterly fought metalworkers' negotiations, estimates that the contract will push up labour costs by 16 per cent over its three-year life (on top of the effects of *the scala mobile wage* indexation mechanism). It remains to be seen how much the commitments to higher productivity will reduce the damage.

In the meantime many economists wonder whether the new contract, by reducing working hours and increasing the rigidity *of industrial relations, may not* give further impetus to the submerged clandestine economy, whose hallmarks are hard work and *great* flexibility.

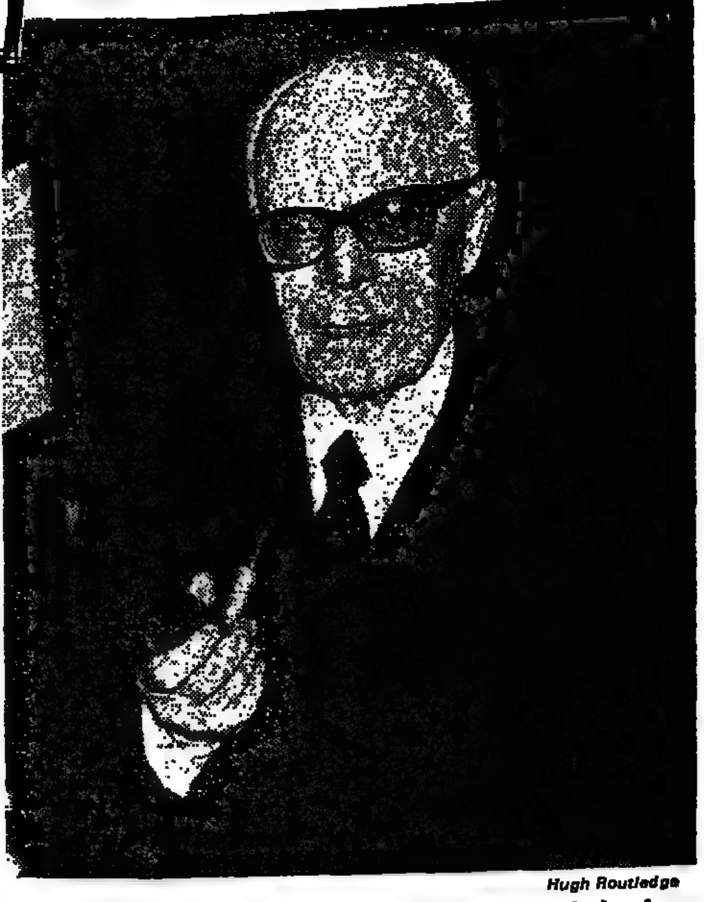
On top of this there are the problems with energy. The delay of the politicians in facing up immediately to changed conditions has contributed to serious shortages of diesel oil, in particular. Scarcity and the greater cost of energy are likely to *force profound structural* changes on western countries, which in many cases only governments will be able to tackle.

Governments, too, are being ever more called upon to foster and promote the new high technology industries in which advanced economies increasingly will specialise. Changed world economic conditions can only cut into the time available to make these decisions. The submerged economy, by its nature, is beyond the reach of direct *official intervention.*

For Italy the starkest issue is nuclear power, for which there appears no reasonable medium term alternative, if a heavy dependence on imported oil is to be reduced. A scaled down programme, to provide 8,000 MW of nuclear energy is bogged down in bureaucratic, environmentalist and political morass. Resourceful the clandestine sector may be, but it has yet to *show it can* put up nuclear power stations on demand.

Even in the blazing heat of *midsummer, the papers are full of gloomy* talk about blackouts, heating oil shortages and the like for the winter which seems a million years away. But the risks in both cases are demonstrably real.

These are the difficulties to which the politicians point, as *they despairingly plead for* a Government—any Government—to be formed—but find reason after reason for preventing it. In the middle of the holiday season it might seem faintly unreal. Italy has an unrivalled gift for muddling through, and extricating itself from the inextricable. Crisis is the most overworked word in the language. But both politically and in economic terms, the country *measures up to the celebrated* definition of a crisis by Antonio Gramsci, one of the founders of the Italian Communist Party: when the old is dead, and the new cannot be born.



Hugh Routledge

President Pertini: he made the parties show their hands

Letters to the Editor

Cuts in public spending

From the Assistant General Secretary, National Union of Public Employees

Sir,—Your editorial of July 25 states "it was the trade union members who went on strike last winter and voted for Mrs. Thatcher in May" who made public spending an unpopular phrase *in the British vocabulary*. While I am ill-equipped to challenge such a penetrating political analysis, may I present a *counter* proposition for consideration by your readers?

On Guy Fawkes Day 1975 Denis Healey and Eric Varley presented to their fellow conspirators on the National Economic Development Council a plot to demolish public expenditure entitled "Approach to industrial strategy." Prominent members of the Parliamentary Labour Party, the entire Conservative Party, *influential organisations* representing private industry and a few trade union leaders joined the conspiracy with various motives and degrees of enthusiasm; Fleet Street gave its unqualified support.

This strangely assorted ideological coalition not only argued that a reduction in public expenditure was necessary to meet the immediate economic situation; it also raised the *horrifying* spectre that public expenditure represented a threat to the democratic values of a pluralist society.

After many years of being told—by *politicians* of all parties—that the post-war Welfare State was the feature which marked Britain's superiority over less developed nations across the Channel or the Atlantic, the British public became naturally alarmed to discover that, far from being a virtue, expenditure on community services was a sinister step towards dictatorship. They therefore chose as Prime Minister a person who had demonstrated the value of private enterprise by marrying into it.

If this proposition appears less plausible than that advanced in your editorial of July 25, perhaps somebody could explain why the Financial Times now appears to find it impossible to discuss public expenditure without using arguments which would be more appropriate to those newspapers who define the balance of trade as the correlation between the exposed area of female flesh on page three and circulation figures?

Bernard Dix.
National Union of Public Employees,
Civic House,
Aberdeen Terrace, SE3.

Loans to strikers

From Mr. C. Dilloway

Sir,—*Professor* Prest (July 21) quite rightly points out the administrative difficulties of using the PAYE system to recover "loans" made to strikers. His comments, I suggest, arise from a too literal interpretation of the expression PAYE in Samuel Brittan's original article.

The Department of Health and Social Security already has procedures for the recovery of loans made to strikers. It is a payment made to a striker after he has returned to work and before he has received his first pay packet that is recoverable under this procedure. The regulations require the employer to recover the loan over 13 weeks and pay the proceeds over to the DHSS.

The DHSS procedures are not extensively used. They are, however, essentially similar to the widely used arrangements under the Attachment of Earnings Act. Professor Prest's *letter should not be taken as* indicating that there are difficulties in the mechanics of recovering loans from strikers *after* they have *returned* to work. The problem of identifying dependants with a breadwinner's employer does not exist if payments are made as loans to strikers. If striking is to be judged as in some sense wrong then there is a sort of justice in recovering sustenance received during the strike from the monetary benefits received after the strike is over.

Cliff Dilloway.
"Highcroft,"
Gunhouse Lane,
Bowbridge,
Stroud, Glos.

A barracks at Winchester

From Mr. B. Spencer

Sir, — Our newly elected Government has declared itself *forced to reduce public spending.* It has inflicted massive cut-backs in education, health, social services, public authorities and rate support; it is withdrawing *aid to industry and* selling off national assets.

Is it aware that the Department of Environment and the Ministry of Defence are busy planning a new £15m barracks —to be erected on good agricultural land — at Winchester, Hampshire?

In its defence it must be stated that this scheme is one inherited from the previous free-spending Government; Mr. *Heseltine will not yet have had* time to poke a stick in all the dark corners.

B. Spencer.
Harestock Road,
Winchester, Hants.

Management education

From the Deputy Principal London Business School

Sir, — Professor Higgins' letter July 23 concerning postgraduate studies in management education draws attention to the recent cut-back in student grants. One dramatic consequence of this is the relatively low impact that such education now has in the British scene. For example, in the United States each year there are roughly 3¼ MBAs *graduating from business* schools for each doctor produced by the medical schools. In Britain there is now going to be about one-eighth of an MBA each year for every doctor produced. While the number of doctors expressed as a ratio per million population does not differ *very markedly* in the two countries, and is somewhere close to established international norms for medical care, the relative MBA rates point up the low esteem in which management education, and indirectly industry and commerce, is held in this country.

(Professor) P. G. Moore.
London Business School,
Sussex Place,
Regent's Park, NW1.

Administration or treatment?

From Mr. R. Beale

Sir,—Seventeen *years* in voluntary, and unpaid, hospital management suggest to me that those who see only cuts in service, *falling standards* and even closures resulting from Mr. Patrick Jenkin's squeeze on spending are looking at the wrong end of the scale.

You quote (July 21) Baroness Robson, chairman of the S.W. Thames Regional Health Authority, as considering those *effects inevitable*, but has she looked in the direction of the army of professional administrators who moved in to replace the now defunct boards of governors and management committees?

For a start, one administrator axed from each smaller hospital and two from each larger institution would do nothing to impair efficiency of service to patients; it could even improve it by eliminating some procedures. It could *mean a* saving of some £2m a year by the removal of 250 holders of jobs invented with the "reorganisisation" of the hospital service but, strangely enough not missed before that disastrous event.

A *complete* overhaul of the "Salmon" structure for nursing staff would also result in more of the latter being available for *the practice* of their profession instead of wasting time on administration courses which do nothing for the patient. Only those in the direct line for promotion need to know what is required for administration of nursing staff, much of which they learn through experience, and they must not be burdened with work which can effectively be done by ward clerks.

There is much overlap to be remedied, arising from the ambiguities of the "Salmon" system. Doctors are responsible for clinical decisions and through their *medical committee for* requesting the necessities to carry out their work. Nurses are *primarily responsible* for nursing and must not be expected to perform the duties of already grossly over-manned administrative staff, which is primarily concerned with bringing together all services and providing the facilities.

That is where the board of governors and management committees came in and until something similar is reintroduced in each hospital group in place of a remote area health authority, efficiency can never be achieved nor the best made of available resources. In mental hospitals, where there is a community requiring its own "parish council," the hospital management committee was described by Sir Keith Joseph as essential for the care and protection of the patients. As a former member of one such body, I can say without fear of contradiction that we saw more *of* the patients, wards and staff than any professional administrator does today.

As an example of the mentality which guides the "reorganised" hospital service, I recall being asked to study lengthy reports of the first year's operation of three amalgamated groups of mental and general hospitals. I could offer only one comment, viz., that they were remarkable in two respects, in that their entire emphasis was on convenience of administration and nowhere in any of them did the word "patient" appear even once!

May I suggest that if Baroness Robson will look in the right direction she will not only find it unnecessary to think of falling standards and closures but she could be a pioneer in restoring the hospital service to the patients for whom it was conceived.

Ronald Beale.
Chimneys, 27, Oatlands Close,
Weybridge, Surrey.

Third London airport

From Dr. T. Lloyd Davies.

Sir, — A potentially unjust omission *from the* article by Michael Donne (July 23) about the proposed third London airport is that Langley is really another name for Nuthampstead. The two villages are next to each other and no more than two miles apart. Langley/Nuthampstead has previously been rejected as unsuitable for the site of the airport.

(Dr.) T. A. Lloyd Davies.
The Old Bakery, Elmdon,
Saffron Walden, Essex.

A strong pound

From Mr. S. Penwill

Sir,—Industry is complaining that the strength of the pound is making exports difficult. Is not the remedy to increase production and reduce the cost per *unit* and so compensate; this should be effected by better management, more application to work by the shop floor or *alternatively* the replacement is of men by machinery. The choice is these—devaluation an admission of defeat.

S. W. Penwill,
158, Fenchurch Street, EC3.

Using waste heat

From Mr. T. Brown.

Sir,—It is to be hoped that Mr. Cooper's plea (July 26), for a better understanding of energy logic, will be successful. Until his message is fully implemented in future policy there is much we can do to improve the utilisation of current facilities.

In 1973, writing a humorous-*technical article requested by a* house magazine, I was surprised to find that if the Atomic Energy Authority had spent 20 years thatching houses instead of building nuclear reactors we should have been saving more energy from the improved thermal insulation than we were feeding into the grid from atomic power stations.

The simple lesson was that a given expenditure will have approximately five times the energy value if spent on insulation than if spent on power stations. This has not yet been appreciated, least of all by a government which appears bent on investing a vast amount of capital (both in terms of conventional finance and energy) in the construction of more nuclear power stations. Such a programme could add to our vulnerability, in respect of imported goods, by the prospect of a uranium OPEC waiting to emerge behind the oil OPEC.

The factor of five could be reduced to approximately two if the waste heat from power stations were usefully employed. The government's Energy Paper No. 9 proposes an R-D programme on geothermal heat, which could eventually be used for greenhouse heating and the food-canning industry. The huge quantities of heat currently rejected from power stations comprise a similar source already available.

If a pilot scheme were operated at Didcot power station *it would compensate* to some extent for its monstrous destruction of so much of the delicate beauty of the Upper Thames Valley. The waste heat could supply an area of greenhouses four miles square. Imagine what this would mean in terms of saving imported foods. And there would be heat left over for canning some of the produce.

If successful and repeated at other power stations such a scheme would greatly increase both local and national self-sufficiency in line with our human and planetary responsibilities.

Trevor Brown,
2 The Glade,
Newbury,
Berks.

Pricing policy

From Mr. K. Longworth

Sir,—Mr. R. J. Pearce (July 19) asks why shoe shops sell items at, say, £9.99 instead of £10. The practice is a very old *one, dating back to times when* shoes were offered at, say, 3s 11d instead of 4s, and had a very practical origin.

Shoe shop staff do not work behind counters but are in close contact with their customers. The Victorian retailers who founded our great multiple businesses were worried that, unless an assistant went to the till to collect the penny change, the money might absent-mindedly find its way into his own pocket as he escorted a purchaser to the door!

Another case of take care of the pence, and the pounds will look after themselves!

Kenneth Longworth,
Shoe and Leather News,
84-88, Great Eastern Street, EC2.

Dunbee Combex-Marx recovery will take time

LORD WESTWOOD, chairman of **Dunbee Combex-Marx** says in his annual report that 1979 is a year of intense internal activity and will be the first stage of setting the group on a course "eventually to reach and then to surpass former profit levels."

Because of the group's sheer size alone, it will take time for the outcome of current policies to be translated into tangible results, the chairman says.

In view of the increasing international spread of the business, it will be proposed at the annual meeting that Coopers and Lybrand be appointed joint auditors with H. W. Fisher and Co.

The report also refers to the resignation of Mr. R. P. Butler on May 14 this year. Subject to fulfilment of certain conditions there will be consideration due to Mr. Butler in respect of loss of office as chief operating officer of Louis Marx and cancellation of his option to acquire 2 per cent of the issued capital of Louis Marx.

Louis Marx and Co. Inc. remains entitled to the services of Mr. Butler in an executive capacity up to April 15, 1980, when his former service agreement with Louis Marx was due to expire.

The chairman gives details of some of the projects presently being considered or actively developed by the Board in the stringent review of all companies both at home and overseas.

These include the closure and sale of a larger part of a loss-making factory in Holland and the sale of the Marx Hong Kong factory which will release a capital profit of some £1.1m.

By the time of the half-year statement in October, directors should be in a position to report more fully on other actions being taken.

As a result of three years expansion, the group incurred substantial borrowings. While adequate facilities are available to provide the working capital for further sales growth this year, the Board considered that it was prudent to consider ways of reducing the overall level of indebtedness.

The review takes particular notice of any business activity which does not make an adequate return on capital employed or which is unlikely to make a such a return in the near future, the chairman says.

For 1978, pre-tax profits of the group amounted to £1.26m compared with £6.43m on turnover of £124.25m against £92.78m. Earnings per share are stated at 5.8p (24.8p).

As a result of professional revaluations in 1978, a surplus of £3.75m has been transferred to reserves. During this year, the U.S. properties were revalued and the surplus of £1.5m may be considered for inclusion in future years.

Certain directors have waived their entitlements to dividends totalling £102.418 on personal holdings of 1.81m shares but excepting dividend payments of 0.01p per share.

The balance sheet shows bank overdrafts and loans (secured) of £12.26m (£9.77m). Non-current liabilities (secured) of £19.75m (£9.72m) include bank loans of £13.36m (£5.79m).

There is also compensation to a former director of £17,463. Meeting, Cafe Royal, W, August 20 at 11 am.

See Lex

AC Cars hit by output difficulties

Surrey based **AC Cars** failed to reach its car production targets in the first half of 1978-79. Both profit and sales were lower for the high performance car producer, the interim dividend is cut and a downturn at full-time is forecast.

Turnover fell from £2.01m to £1.52m and net profit for the six months ended March 31, 1979, is slipped from £48,252 to £38,218 after all charges including tax of £13,700 (£51,420).

Stated earnings per 5p share were 1.59p (2.07p) and the net interim is 0.14p (0.175p). A 0.425p final was paid last time.

In March the company said that production of its new ME3000 model was well under way but it was still having great difficulty in finding adequate skilled labour due to severe competition.

The production problem is likely to persist throughout the second half of the current year and total profit is expected to be down on 1977-78 when the pre-tax figure was £206,000.

However, Pem Trailers and Unipower Vehicles, which produced the bulk of the profits last year are expected to make a good contribution in the second six months.

Attributable surplus emerged at £31,728 (£41,345) and the dividend absorbed £2,800 (£3,500). Comparative figures included nine months results for Pem.

Watsham's exceeds £700,000

PROGRESS continued for **Watsham's** in the year to March 31, 1979, with taxable profit rising £110,452 to a record £701,543 and, as forecast, the dividend is doubled. Sales by the company, which makes specialised products for the optical, telecommunications and industrial safety industries, were up 50 per cent to £3.3m.

At mid-year profit was ahead from £248,000 to £291,000.

With tax for the 12 months taking £193,386 (£164,258) stated earnings per 25p share were 19.62p (17.7p). The net total dividend is raised to 8.1p (4.02845p) by a 4.8p final.

Cash, bank balances and investments at year end amounted to £1.32m and, including a £16,370 extraordinary gain this time, retained profit emerged at £252,518 (£301,047).

Provincial Laundries upsurge

Pre-tax profits of **Provincial Laundries** expanded from £32,119 to £121,027 in the six months to June 30, 1979, on higher turnover of £1.15m, against £615,619. In the last full year, there was a recovery from a £28,600 loss to a £100,026 surplus.

The net interim dividend is lifted from 0.16p to 0.4349p and the directors expect the final to be not less than the interim, making 0.8698p (0.4349p).

Again, no tax is payable. There was a £6,232 extraordinary debit last time. Earnings per 5p share are given as 2.32p (0.68p).

Industrial life side expands for London & Manchester

A SUBSTANTIAL increase in new life business in the industrial branch is reported by **London and Manchester Assurance** for the first half of 1979. New annual premiums advanced by one-third from £1.79m to £2.39m, with new sums assured being nearly 40 per cent higher at £33m.

Life business in the ordinary branch improved only slightly with new annual premiums increasing by 4 per cent from £2.15m to £2.24m. Single premiums, however, were over 50 per cent higher at £363,000 against £237,000. Pension and annuity business was more buoyant with new annual premiums of £611,000, against £487,000, and single premiums of £377,000, against £235,000.

Total premium income received during the first half of this year in the ordinary branch amounted to £6.97m compared with £6.51m for the first half of 1978. Premium income in the industrial branch boosted by the change in method of paying tax relief advanced by 22 per cent from £7.09m to £8.63m.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Drayton Commercial Investment, Macdonald Martin Distilleries, Nottingham Manufacturing, Weber Holdings.

Finals—Bradlow's Stores, Hampson Industries, Investment Co., Alfred Preedy, Stewart Zigomala.

FUTURE DATES

Interims—	
East Lancashire Paper	Aug. 2
First Scottish American Trust	Aug. 16
Ford (Martin)	Aug. 1
General Accident	Aug. 15
Gibbons Dudley	Sept. 13
Glynwed	Aug. 8
Horizon Travel	Aug. 7
Johnson Group Cleaners	Aug. 22
Transport Development	Aug. 16
Finals—	
Allen (W.G.)	Aug. 2
County and Dist. Properties	Aug. 8
Geevor Tin	Aug. 2
M.L. Holdings	Aug. 3
Smith Whitworth	Aug. 3
Stoddard Holdings	Aug. 31

Jacksons Bourne End £20,000 higher

A second half downturn of £13,000 in taxable profit in **Jackson's Bourne End** was not as bad as had been anticipated in mid-March. As a result the group, which moulds and fabricates, fibreboard etc., was able to show a £20,000 advance to £176,000 for the year to March 31, 1979, continuing the recovery from the £26,000 loss seen in 1976-77.

Halftime profit had been up from £54,000 to £86,000 but, while fighting off the bid from Dawngrange, Jacksons stated that the second six months had been badly affected by disruptions and industrial disputes among principal customers and suppliers.

Trading results for the first quarter of the current year are better than last time but the directors say that the outcome will depend on the general industrial climate.

Sales for 1978-79 were higher at £4.99m (£4.77m) and the net dividend is stepped up to 3p (2p).

A lower tax charge of £64,000 (£79,000) left the net balance at £112,000 (£78,000). A revaluation of freehold properties has thrown up a surplus of £1.48m, less about £0.3m tax, which has been incorporated in the accounts.

Walter Alexander up 18.2%

FROM TURNOVER up 15.3 per cent from £29.36m to £33.85m, profits before tax of Walter Alexander increased 18.2 per cent to £2.76m in the year ended *March 31, 1979*, compared with £2.34m in the previous year.

Earnings per share are stated as 30.1p, against 24.6p, and a final dividend of 3.65p lifts the total from 4.85p to 6p. A one-for-one scrip issue is also proposed.

The directors say that budgets indicate that the current year will produce improved results from virtually all activities and profits for the first three months of the year confirm this trend.

The company made a gain on the sale of its investment in its associated company Transfleet Services of £862,000. The extraordinary item shown in the accounts of £462,000 is the surplus less tax over the consolidated asset value of the holding in the group accounts.

During the year, the holding in Scoteros was increased from 10.2 per cent to 11.6 per cent. Since the end of the year the holding has been further increased to 20.99 per cent which means that Scoteros is now an associated company.

Walter Alexander does not have a Stock Exchange listing. It has interests in coach building, other transport related activities and light engineering.

Metal Box improving after sluggish start to current year

The current year started sluggishly at **Metal Box** following the poor performance in the second half of 1978-79. However recently both sales and profits had improved and the company hopes that half-time results will match last year's good first-half performance, Sir Alex Page, the chairman, told the annual meeting.

He also revealed that in May the group had expanded its American interests with the acquisition of Simplimatic, supplier of machinery and equipment to the food and drinks industry. The deal involved an initial payment of $8m plus a percentage on sales for five years, likely to add a further $3m.

At home the group's packaging business was holding its own, the central heating business was going from strength to strength and overseas results had been very encouraging he said.

Midway fall for Plastic Constructions

Although turnover increased in the six months ending March 31, 1979, to £5,617,000 (£4,471,000) for **Plastic Constructions**, taxable profits was down to £124,102 compared with £187,937 for the same period last year.

Mr. H. Aron, chairman, says the decline in profits was the result of industrial problems during last winter, coupled with lower margins on some merchanting lines.

In view of this, the Acrylic product line, which contributed to the downfall of the merchanting side of the business, was sold *in May, 1979, for a total consideration of £1,035,000.* Mr. Aron says he is expecting to see an improvement in the second half which will partly reflect the disposal of these assets.

The fabrication order book continues to be healthy.

The interim dividend is up from 0.76p to 0.836p absorbing £27,796 (£25,193) after waivers of £11,715 (£10,726)—the total for 1977-78 was 2.32p paid from profits of £452,000.

Earnings per share are down to 1.36p (1.91p).

Giltspur first quarter ahead of forecast

Trading profits of **Giltspur**, the industrial services group, were ahead of forecast in the first quarter of the current financial year, Mr. Maxwell Joseph, the chairman, told shareholders at the annual meeting.

The Expo companies had continued demand for their services, particularly in the UK. The display company, Marler Haley, continued to increase its sales revenue both at home and abroad and additional premises had been *acquired to expand capacity.*

The process of reorganising the group's motor interests continued, so that the group could be well placed to adjust to any change in the pattern of business.

Loss at British Dredging

AFTER THE first half recovery and a confident outlook, the **British Dredging Company** incurred a pre-tax loss of £13,910 at the end of 1978 compared with a deficit of £313,422 previously.

The first six months had seen a turnround from losses of £153,000 to a £94,000 pre-tax profit.

The year's loss is after exceptional credits of £156,545 compared with £473,200. Net loss is £93,649 (£310,761 before minorities of £27,384) but after extraordinary credits of £695,950 (£84,734 debit) a profit balance of £602,301 is struck compared with losses of £368,111 previously.

Basic loss per share after tax but before extraordinary items is 0.83p against 2.53p. Again there is no dividend—the 1976 payment was a single 0.3p.

Turnover amounted to £13.53m, compared with £15.84m. The exceptional items included £165,000 (£83,000) reduction in provision made in previous years in respect of the group's interest *in certain overseas and UK subsidiary* and associated companies and £162,800 (£390,200) temporary employment subsidy.

BIDS & DEALS

Wellman gives logic of IHBD purchase

BY RAYMOND MAUGHAN

IN THE formal defence document rejecting the £7.3m cash offer from Redman Heenan International, Wellman Engineering Corporation has forecast that its own profits for the six months to September 30 will reach at least £500,000 and those of the proposed purchase from General Electric, IHBD, will amount to £450,000 after financing costs and before tax for the 33 weeks to March 31, 1980.

The estimate of IHBD's contribution, should the deal gain *shareholders'* approval at an extraordinary meeting, is calculated after deducting interest of $620,000 on borrowings for working capital and on funds borrowed for the acquisition and interest of £190,000 forgone on the funds used to subscribe the equity capital of Wellman Inc.

IHBD is described as a "natural partner for Wellman in furnace technology." The U.S. company has averaged pre-tax profits of $2.2m over the last five years and Wellman is "satisfied" that losses of $866,000 pre-tax last year stem mainly from the failure of a new product line (since discontinued).

The purchase price, subject to adjustment, will be approximately £5.17m, $12m, of which $400,000 is attributable to goodwill and $5.3m is included in respect of stocks and work-in-progress which will be valued as at August 13. Although General Electric has not warranted the profits of its subsidiary, it has agreed that the consideration will be cut by $250,000 in the event that profits before interest and tax do not exceed $2.5m for the forecast 33-week period.

Wellman has agreed to finance the deal by subscribing $5m (£2.18m) for equity capital of its existing U.S. offshoot, Wellman Inc., from its own cash resources of around £2.5m. Additionally, a $3.5m 10-year Industrial Revenue Bond has been approved in principle at a rate of 7⅞ per cent and will provide for capital repayment by equal instalments over the last 8½ years of the Bond. A $4m overdraft facility carrying a 1 per cent interest rate premium over the bank's prime rate for a period of 12 months has also been arranged.

The Wellman Board, headed by Mr. A. C. N. Hopkins, is "conscious that the borrowing limit in the Articles (of Association) is out of line with modern practice." Borrowings undertaken to finance the acquisition will require the sanction of a general meeting in which it would be proposed to lift the limit to twice the aggregate of the issued capital and reserves which currently stand at £6.72m and would permit borrowings of £12.5m. The proposals would sanction debts of the presently permitted amount plus the greater of $10.5m or £4.5m dependent on the rate of exchange.

The extraordinary general meeting will be held on August 13.

The Redman Heenan offer, which closes a week earlier, is said to be put forward as an alternative to the IHBD acquisition. Wellman believes this is a "very poor alternative which looks only to the past and not to the future."

Wellman's profits last year fell from £1.55m pre-tax to £1.03m but this is described as a "single unrepresentative year in which there was a pause in growth."

Bridgewater Trust in TV rental deal

The ordinary shares of Bridgewater Investment Trust have been suspended at the director's request. This followed proposals to acquire two television rental companies.

Bridgewater has entered into a contract to acquire Ascot TV Rentals and Concorde TV Rentals for £35,000 cash and the issue of up to 6.25m ordinary shares.

The share issue is to be determined in accordance with a formula based on profits and net asset values over the period to March 31, 1981.

At present the company has 8m shares in issue. It is an investment trust but since a takeover in June last year the new board has described its policy as "clearing the decks" for a new investment programme.

Pentos steps up dividend forecast in Caplan bid

Pentos has increased its forecast of dividends for its year to December 31, 1979, to 5.75p gross (4.025p net). The group reveals the details in its offer document for Caplan Profile Group.

Caplan shareholders accepting the Pentos offer and electing to receive Pentos ordinary shares will be entitled to receive these dividends, giving an increase in gross annual income of approximately 69 per cent over Caplan's actual payment for 1978 and 12 per cent over Caplan's own forecast payment for 1979.

Pentos has received agreements for acceptance of the offer of over 50 per cent.

The Pentos extraordinary general meeting to approve the necessary increase in the Pentos share capital for the purposes of the offer is called for August 14 and the offer closes on August 17.

BOC/AIRCO

Airco Inc., a wholly-owned subsidiary of BOC International, announces that all of its Ferr-alloys operations have been divested with the completion of the sale of the final remaining segment, the company's Swedish subsidiary Airco Alloys AB and related companies.

ERSKINE HOUSE

National Car Parks has purchased a further 125,000 shares in Erskine House Investments bringing its total stake to 430,000 shares, 18.6 per cent of the equity.

FT Share Service

The *following* securities have been added to the Share Information service appearing in the Financial Times:

Abwood Machine Tools (Section: Engineering. Mitsubishi Electric Corporation (Overseas, Tokyo).

هكذامن الأحمل

INTNTL. COMPANIES and FINANCE

Exxon bid restrained by court

By John Wyles in New York

THE Federal Trade Commission won the first round at the weekend in its bid to block Exxon Corporation's $1.17bn takeover of Reliance Electric Company.

After hearing the FTC's application for a temporary restraining order on Friday, Washington DC District Court Judge Harold H. Greene made a ruling on Saturday preventing Exxon from purchasing for at least 10 days the 95 per cent of Reliance's outstanding stock tendered for its $72 per share offer.

If Judge Green had turned down the FTC, then Exxon would have been free to purchase this stock from midnight on Saturday. Now, however, the country's largest oil company and the FTC will join issue in hearings starting in a few days on the Government's application for a preliminary injunction against the takeover.

It is unlikely that the temporary barrier to the merger will be lifted until these hearings are completed and a decision issued.

The FTC says that by not entering the established market for variable speed controls and instead acquiring a company which holds about 20 per cent of that market, Exxon is effectively reducing competition and violating anti trust laws.

Profits rise at Woolworths

By Jim Jones in Johannesburg

SOUTH AFRICAN retail chain Woolworths reports a 13.9 per cent turnover increase to R170m for the 53 weeks to May 31, 1979. At the pre-tax level, income was R25.5m ($30.3m), a rise of 9 per cent on the 52 weeks of the previous financial year.

Woolworths was among the few retail chains which expressed disappointment at last Christmas's sales. Also, having stocked up heavily in anticipation of booming sales ahead of the introduction of the 4 per cent general sales tax, Woolworths was forced into some ruthless markdowns to move stocks.

Alfa Romeo not up for sale

BY RUPERT CORNWELL IN ROME

A FLURRY of denials has greeted reports here that Alfa Romeo, Italy's publicly owned second largest motor manufacturer, might shortly be sold off to Fiat or a *foreign* car group.

The denials issued by both Alfa Romeo and Finmeccanica, its holding company parent, were prompted by a magazine interview with Sig. Pietro Sette, the president of IRI, the state conglomerate which controls both Finmeccanica and the car manufacturer.

Sig. Sette reportedly suggested that Alfa Romeo, which is in substantial deficit, was "up for auction" and that some decision might be taken within a few months.

But his remarks were later clarified to mean that the car company was merely confirming the search for partners with whom to cooperate to make easier the economies of scale required by a low volume manufacturer.

Sig. Ettore Massacesi, the Alfa Romeo president, *categorically denied that* the company might change hands. Meanwhile Fiat, Italy's biggest motor group, dismissed any suggestion that talks with Alfa Romeo had taken place.

However, the very agitation created by the "misunderstanding" of Sig. Sette's views indicate the uncertainty over the future of Alfa Romeo, which employs 40,000 people, manufacturing some 200,000 vehicles a year.

Privatbanken to buy out other UIB shareholders

BY JOHN EVANS

PRIVATBANKEN, one of Denmark's leading commercial banks, is to acquire United International Bank (UIB), the London-based consortium bank, *in a deal worth £12.9m ($29.8m)*. The takover is aimed at strengthening the Danish bank's international network, according to a statement this weekend.

Privatbanken is one of ten international banks which own equal shares in UIB. The other shareholders, which will sell their interests to Privatbanken, are: Banco de Bilbao, *Bank Mees and Hope*, Banque Francaise du Commerce Exterieur, Bayerische Hypotheken- und Wechsel-Bank, Credit du Nord, Crocker National Bank, PKbanken, Bank of Nova Scotia, and Williams and Glyn's Bank.

Privatbanken is acquiring UIB's total capital at the net asset value of £12.9m, subject to all the necessary approvals being obtained.

UIB had a balance sheet total of £247.9m at June 30 this year. Share capital totals £8m and £4m is represented by subordinated loans.

The chairman will continue to be Mr. A. Schmiegelow, who is Privatbanken's managing director. Sir Norman Biggs will rejoin the board as deputy chairman. Mr. A. A. Wiessmueller continues as the UIB managing director.

Privatbanken now becomes the first Danish bank to have its own full banking subsidiary in London. Other Danish banks generally have interests in the various consortia banks in London, such as Nordic Bank, Scandinavian Bank and London & Continental Bankers.

While this acquisition will further Privatbanken's overseas expansion, some other UIB shareholders have found that the concept of participating in a consortium bank as part of their own international activity has become less important in the last few years.

Pan Am buys TXIA stake in National

By Our New York Staff

TEXAS International Airlines has decided to bow out of the battle to acquire National Airlines and to sell its 24 per cent holding in the Miami-based carrier to Pan American World Airways.

After its open market purchases last week, Pan Am now owns 51.4 per cent of National stock and this will be increased to 60.6 per cent following the immediate purchase of 790,000 of the 2.1m block owned by TXIA. In addition, Pan Am will pay TXIA $3m for the right to buy the remaining 1.3m shares by March 1 next year providing the Civil Aeronautics Board's preliminary approval of its merger with National is endorsed by President Carter. The balancing purchase would raise its holding in National to 75.9 per cent.

Most of TXIA's shares in National were purchased last year at an average price of $28.20. Pan Am will pay $50 per share — which means that TXIA will make a capital gain on the sale of more than $45m excluding carrying costs and the $3m option fee. Mr. Frank Lorenzo, TXIA's president, said on Saturday that in view of the CAB's approval for a Pan Am-National merger and that National's shareholders had supported Pan Am, further pursuit of our acquisition efforts would not be in our best interest.

Sharp advance at Kennecott

By Our Financial Staff

THE LARGEST copper producer in the U.S., Kennecott Copper, turned in net earnings for the second quarter of $1 per share compared with 10 cents a share last time.

Net income for the quarter reached $33.28m against $3.41m last year, on sales ahead from $478.2m to $628m. For the first half, Kennecott's net income rose from $8.68m or 26 cents a share to $54.46m or $1.64 a share. Six-month sales rose from $906m to $1.2bn.

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published.

Company	Date	Announcement last year
*Acrow	Aug. 7	Final 1.554
Assoc. Dairies	Aug. 23	Final 0.416
Ault and Wiborg	Aug. 9	Int. 0.72
Automotive Products	Aug. 8	Int. 0.75
*BICC	Sept. 4	Int. 2.5
Barrow Hepburn	Aug. 16	Int. nil
BBA Group	Aug. 31	Int. 0.8777
*Bibby (J.)	Aug. 8	Int. 3.0
Blue Circle	Aug. 24	Int. 3.22
British Aluminium	Aug. 16	Int. 28.851
Carrington Viyella	Aug. 9	Int. 0.67
*City Offices	July 31	Int. 0.66
*Comben Gp.	Aug. 8	Int. ½p
*Commercial Union	Aug. 14	Int. 2.863
Corah	Aug. 17	Int. 0.9
Dixons Photo.	Aug. 2	Final 1.51
Evode	Aug. 17	Int. [illegible]
Fairclough Cons.	Aug. 29	Int. 1.5
*General Accident	Aug. 15	Int. 4.125
*Gibbons Dudley	Sept. 13	Int. 0.74326
*Glynwed	Aug. 8	Int. 2.45
*Grindlays	July 31	Int. 1
Hambro Trust	Aug. 7	Final 1.37
Hoffnung (S.)	Aug. 25	Final 2.8743
*Hoover	Aug. 2	Int. 5.61
Hse. of Fraser	Aug. 24	Int. 1.8865
*IMI	Aug. 28	Int. 1.675
*Ladbroke	Aug. 29	Int. 3.8
Laing (J.)	Aug. 31	Int. 1
*Lex Service	July 31	Int. 1.8
Matthews Wrightson	Aug. 31	Int. 3.5853
Mills and Allen Int.	Aug. 31	Final 5
*Morgan Crucible	Sept. 6	Int. 3.653
Ocean Transport	Aug. 22	Int. 3.9192
Pye	Aug. 18	Int. 7.225
Rayback	July 12	Final 2.3512
*Rentokil	Aug. 2	Int. 0.72
Royal Insce.	Aug. 17	Int. 7.272
Security Services	Aug. 10	Int. 1.25
Sedgwick Forbes	Aug. 24	Int. 4.0
*Shell Transport	Aug. 1	Int. due
Slough Estates	Aug. 30	Int. 1
Smith and Nephew	Aug. 15	Final 0.9105
Staflex Intl.	July 28	Final nil
*Staveley Inds.	Aug. 1	Final 5.97
*Stenhouse	Aug. 23	Int. 1.825
Sunley (B.)	Aug. 8	Final 2.7
*Taylor Woodrow	July 31	Int. 2.01
*Transport Developmt.	Aug. 16	Int. 1.25
*Tube Invs.	Aug. 15	Int. 10.875
Union Corpn.	Aug. 29	Int. 15 cents
*Utd. Dominions Trust	Aug. 8	Final nil
*Vantona	July 31	Int. 1.3955
*Vosper	Aug. 1	Int. 2.5
*Ward and Goldstone	Aug. 3	Final 3.672
Weir Group	Aug. 30	Int. 1.8834
*Woolworth (F. W.)	Aug. 15	1.225

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Banks Ltd.	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	14½%
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½%
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	14 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	15 %
Choulartons	14 %	Security Trust Co. Ltd.	15 %
C. E. Coates	14 %	Shenley Trust	16 %
Consolidated Credits	14 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½%
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%. 1-month deposits 11½%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

INSURANCE BASE RATES

† Vanbrugh Guaranteed 11¼%
† Property Growth 11¼%
† Address shown under Insurance and Property Bond Table.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

Public Works Loan Board rates

Effective from July 21

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	12⅝	12½	12½	13⅛	13⅛	13⅛
Over 5, up to 10	12¾	12⅝	12¾	13¼	13⅛	13¼
Over 10, up to 15	12¾	12¾	12¾	13¼	13¼	13¼
Over 15, up to 25	12¾	12¾	12¾	13¼	13¼	13¼
Over 25	12¾	12¾	12¾	13¼	13¼	13¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CORAL INDEX: Close 455-460

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 3.8.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12	12¼	12¼	12¼	12½	12½	12½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Rates paid to W/E 29th July 1979

	Call % p.a.	7-day % p.a.
Mon.	13.794	14.152
Tues.	13.834	14.075
Wed.	13.910	14.069
Thurs.	13.931	13.986
Fri./Sun.	13.911	14.001

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

It will be published in an eight-page format on the following dates in the remainder of 1979:

August 13 | September 10
October 15 | November 12
December 10

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Barnsley (0226 203232)	12	½-year	250	5-6
Barnsley (0226 203232)	12½	½-year	250	6-10
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Redbridge (01-478 3020)	12¼	½-year	200	6-7

CURRENCIES, MONEY and GOLD

Dollar on shaky ground

BY COLIN MILLHAM

Central bank support pushed up the dollar against most currencies last week. The notable exception was sterling, which not only continued to rise against the dollar, but was at its highest in terms of major currencies for almost four years.

The underlying sentiment surrounding the U.S. currency was much less favourable than the bald figures suggest however. The only good news to come out of Washington last week, as far as the foreign exchange market was concerned, was the nomination of Mr. Paul Volcker as chairman of the Federal Reserve Board.

Apart from this, the market remains very nervous, and sceptical about President Carter's chances of winning approval in Congress for his energy programme. There are also doubts about the Administration's resolve to fight inflation ahead of the 1980 Presidential election.

A further rise in U.S. interest rates, including the possibility of an increase in the record 10 per cent discount rate cannot be ruled out, especially since the ½ per cent rise in the rate on July 20 was quickly countered by an increase in Canada's discount rate by a similar amount to 11¼ per cent, and a jump in Japan's discount rate to 5¼ per cent from 4¼ per cent.

Interest rates elsewhere in the world have shown a similar trend. The West German Bundesbank increased its discount rate by 1 per cent to 5 per cent on July 13, with the Netherland's discount rate moving up to 8 per cent from 7½ *per cent on the same day.*

The weakness of the Belgian franc in the European Monetary System has prompted four increases in Belgium's key lending rates since early May, including three upward adjustments to the discount rate, which now stands at 9 per cent.

The last change in the French discount rate was nearly two years ago, but the present 9½ per cent is getting further out of line with money market rates, while several major French banks raised their prime rates last week.

London interest rates remain even higher than the rest of Europe, and with no prospect of an early cut in Bank of England Minimum Lending Rate from 14 per cent, there appears to be little hope of relief for the dollar in the near future.

CURRENCY RATES

July 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.565580	0.601615
U.S. $	10	1.30835	1.39665
Canadian $	11¼	1.53058	1.63254
Austria Sch.	3¾	17.4597	[illegible]
Belgian F.	9	38.0959	40.6669
Danish K.	9	6.83613	7.29609
D mark	5	2.37950	2.53981
Guilder	8	2.61670	2.79274
French Fr.	9½	5.53825	5.91271
Lira	10½	1068.59	1140.71
Yen	5¼	281.295	300.419
Norwgn. K.	7	6.56530	7.00838
Spanish Pes.	8	86.6129	92.5880
Swedish Kr.	7	5.48722	5.84657
Swiss Fr.	1	[illegible]	2.29400

Gold Bullion (fine ounce)

[illegible]

OTHER MARKETS

[illegible]

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

[illegible]

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

[illegible]

Belgian rate is for convertible francs. Financial franc 69.65-69.75c pm. Six-month forward dollar 2.80-2.70c pm; 12-month 4.50-4.40c pm.

EXCHANGE CROSS RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY RATES

NEW YORK | GERMANY | FRANCE | JAPAN

[illegible]

INSURANCE

FT GROCERY INDEX WORLD STOCK MARKETS

Householders offered insurance advice

BY OUR INSURANCE CORRESPONDENT

AT ONE time household business provided British insurers with the jam to put on the bread and butter earned from commercial property business. But during the 70s the butter has been hard to find and the jam has vanished.

Inflation-bred under-insurance has long been recognised as one of the main reasons for the collection of inadequate premiums. There is increasing use of index linking sums insured but no index linking scheme is able to guarantee the adequacy of the basic sum insured, fixed by the policyholder, when first applied. If that sum insured is 30 per cent inadequate at the start it will remain inadequate through the policy's life.

New chart

Last summer to help policyholders and their advisers, the BIA produced a leaflet on buildings insurance for the home owner. Its principal feature was a chart of rebuilding costs prepared from a detailed report made by the Building Cost Information Service of the Royal Institution of Chartered Surveyors. This chart noted rebuilding costs on pounds per square foot basis for five different types of house accounting for age, size and location.

When the leaflet was introduced BIA promised regular revision, and the 1979 leaflet should appear in early November. It will contain a new chart of building costs—not just the costs in the 1978 leaflet increased by the appropriate index percentage, but a chart completely revised as at the end of September by the RICS.

Arguably, the householder can calculate his building sum insured with reasonable accuracy much more easily than he can value the contents of his home. Most of us, who have established homes, really do not appreciate how prices have moved in the last few years until we come to replace particular items such as carpets, curtains or appliances. Regrettably, there is no easy way to value accurately contents except room by room and item by item.

Now BIA has produced its own "guide to home contents insurance"—complementary to its buildings leaflet. The leaflet contains two panels, and a grid which encourages the user to itemise his possessions.

Answering the question "on what basis will your claim be settled?" the leaflet explains that this depends on what type of contents policy the householder has—an indemnity policy or a policy which provides replacement as new cover on some or all of the items. This logically, leads on to the method of calculating the sum insured, and the leaflet stresses that for items covered on an indemnity basis, deduction from today's new replacement price must be made for wear and tear and depreciation.

It is not possible to put more than the bare essentials in an eight page leaflet, but both are guides only and there many insurance people who can amplify the information that BIA now provides.

In preparing a leaflet it is a matter of fine judgment what size to produce and how much information to give. Experience has shown that the bigger the leaflet, the more solid the information, the more is the average reader likely to be put off, to leave unread or to misunderstand. By dealing with bare essentials, BIA achieves clarity and should encourage many inquiries.

TEL AVIV

Company	Prices July 29 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	409	+ 4.0
IDB Bankholding	[illegible]	+ [illegible]
Bank Hapoalim Br.	604	+ 6.0
Union Bk. of Israel Br.	422	+ [illegible]
United Mizrahi Bank	293	+ [illegible]
Hassneh Insurance Br.	320	− 3.0
General Mort. Bank Br.	311	− 3.0
"Telahot" Israel M. B	328	− 7.0
Land Development		
Africa Israel Inv. IE10	980	+ 14.0
Israel Land Devpt. Br.	182	− 8.0
Property and Building	383	− 4.0
Public Utility		
Israel Electric Corpn.	262	+ 43.0
Investment Companies		
Bank Leumi Invest.	335	+ 2.0
"Clal" Israel Invest.	570	− 14.0
Discount Invest.	280	—
Commercial and Industrial		
Alliance Tire & Rubber	1,185	− 45.0
Elco Br.	283	− 38.0
Argaman Textile Br.	459	− 12.0
"Ata" Textile "B"	160	− 0.5
Amer. Israel Por. Mills	635	− 60.0
Assis	677	− 31.0
Elite	458	+ 53.0
Teva Reg.	607	− 6.0
Fuel and Oil		
Delek	221	− 1.0

Source: Bank Leumi le Israel BM, Tel Aviv.

Fruit and vegetable prices come down

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THIS YEAR'S first fall in the Financial Times grocery price index shows in the figures for this month. The index fell by 1.23 percentage points from 116.02 in June to 114.79.

The fall was mainly due to the seasonally lower cost of fresh fruit and vegetables. The Government's 6p a pound butter subsidy was reflected in most shop prices, but the cost of dairy products overall increased.

Last month, the expected fall in the basket did not materialise because wet weather in May and June kept fresh fruit and vegetable prices higher than normal for the time of year. However, fairly good weather this month has seen prices tumble as expected.

New potatoes, for example, were generally half last month's prices and now cost about 8p a pound. Lettuces, cauliflowers, carrots and cabbages were all cheaper. Tomatoes especially came down in price, to 30p a pound on average, compared with last month's 44p a pound.

Only onions were more expensive this month, about 21p a pound instead of 18p on average last month.

The cost of the fruit and vegetable section fell by almost £44 to total £245.61.

The only other item in the basket to show any fall by value was sugar, tea, coffee, and soft drinks. Although sugar was everywhere about 1½p dearer than last month, tea and coffee were generally cheaper.

However, the main coffee producers have announced price rises for their products, because of higher costs and the likely effect of frost damage in Brazil, and those prices are likely to have filtered through by next month.

The two most expensive items in the basket, meat and dairy products, were marginally dear this month.

The dairy section rose from £548.50 to £551.40, mainly because of higher prices for milk and associated products, such as yoghourt and cream.

Butter prices, however, fell by up to 3p a half-pound, as planned by the Government's butter subsidy; but margarine was slightly dearer. Eggs were cheaper by 2p a half-dozen in a few cases, but generally egg prices remained stable.

Meat rose slightly from £490.95 to £492.68, but there are signs that the sharp rises of recent months have ended and that beef and lamb prices are stabilising.

Frozen foods were slightly more expensive, reflecting higher seasonal demand in hot weather.

The FT shopping basket is based on data collected by 25 shoppers who monitor 100 grocery items each month in the same food stores throughout the UK. The basket covers large and small stores but it is not intended as an absolute guide to food price movements.

Inquiries about the grocery basket should be made to Lucinda Wetherall at the Financial Times. The FT grocery prices index is copyright and may not be reproduced or used in any way without consent.

FINANCIAL TIMES SHOPPING BASKET
JULY, 1979

	July £	June £
Dairy produce	551.40	548.50
Sugar, tea, coffee, soft drinks	176.77	179.86
Bread, flour and cereals	260.24	255.57
Preserves and dry groceries	96.45	95.52
Sauces and pickles	43.43	43.24
Canned goods	166.65	166.61
Frozen foods	204.74	201.24
Meat, bacon, etc. (fresh)	492.68	490.95
Fruit and vegetables	245.61	289.35
Non-foods	201.86	195.06
Total	2,439.83	2,465.90

Index for July: 114.79

1978: March 100; April 101.77; May 103.11; June 104.18; July 102.41; August 101.89; September 101.90; October 101.77; November 103.67; December 105.10.

1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; June 116.02; July 114.79.

Indices

NEW YORK—DOW JONES

● Day's high 842.66 low 833.28

STANDARD AND POORS

	July 25	July 18	July 11	Year ago (approx)
Ind. div. yield %	5.34	5.38	5.21	4.95
Ind. P/E Ratio	7.99	7.87	8.03	9.40
Lond Gov. Bond Yield	8.91	8.92	8.86	8.66

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

TOKYO

COPENHAGEN

STOCKHOLM

VIENNA

GERMANY

HONG KONG

SWITZERLAND

BRAZIL

MILAN

AUSTRALIA

JOHANNESBURG

OSLO

PARIS

WALL STREET

NEW YORK

CANADA

INTERNATIONAL BONDS

BY FRANCIS GHILES

Spotlight on the innovators

IN THE Eurodollar bond markets last week, the introduction by S. G. Warburg of certain U.S. "Yankee" pricing techniques with a $100m straight issue for the Kingdom of Sweden claimed the attention of bond syndication managers and dealers alike.

The markets also witnessed another innovation, this time in the floating rate note sector. Credit Suisse First Boston launched on Friday a $300m issue for Citicorp with a bullet maturity of 3½ years. Of this total amount $100m will be issued in the traditional way while a further $200m remains for issue at any time during the next six months at the discretion of the borrower.

The coupon will be the mean between the bid and offered three-month London interbank rate. The borrower will thus be paying no spread above the interbank rate nor will there be a minimum coupon. Both these elements represent innovations on what could be, if the whole $300m is issued, the biggest even FRN issue for a bank.

The only active areas of the Eurobond markets last week were the Deutschemark, Swiss franc and the sterling sectors. In Swis franc bonds, the large flow of new issues is more than keeping up with investor appetite. Prices of sterling issues eased on the week as some investors decided to take their profits because of the sharp rise in the UK currency.

In Deutschemarks, the German Capital Markets Sub-Committee agreed at its monthly meeting on a small volume of new issues: DM200m.

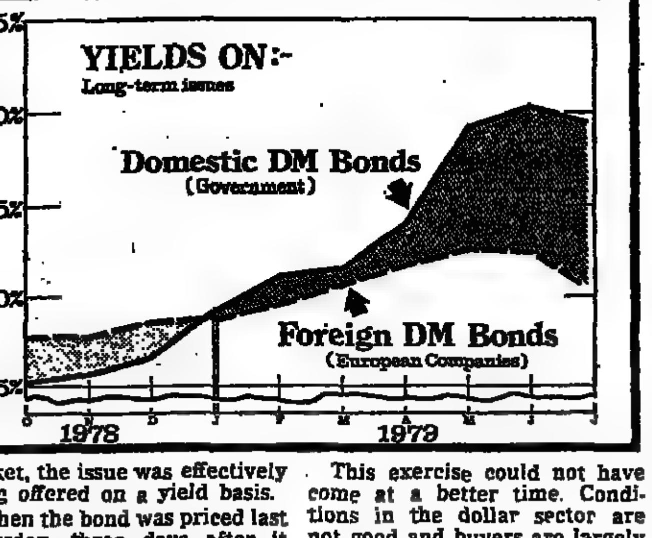
The real volume of D-Mark foreign bonds which is eventually floated is likely to be much larger. Bonds for supranational organisations are not technically included in the calendar and this week alone a DM 200m private placement is expected for the World Bank through Deutsche Bank.

While demand for DM paper is strong the dilemma the German banks face is that they cannot attract many borrowers today. One reason is that borrowers believe they may be able to raise D-Mark bonds more cheaply if they wait a little.

Among the latest DM issues are a DM 100m public bond for the Asian Development Bank and a DM 100m private placement for Norges Kommunalbank.

Prices of D-Mark foreign bonds rose by up to 1½ points on the week but strongest demand from foreign buyers is still directed at domestic bonds where the yield for the investor is now well above what he can obtain on foreign bonds. Although yields on the most recently floated bonds, be they foreign or domestic, have been falling during the past two weeks, there is no sign as yet that the differential on the yield available on two types of paper, and which currently stands at about ¾ of a point in favour of domestic bonds, is narrowing.

The flotation which claimed most attention was the $100m offering for Sweden. Contrary to usual Eurobond market practice, no coupon or price for the bond was indicated by lead manager Warburg in the invitation telexes sent out to the underwriters. These were encouraged to keep in touch with the lead manager so that the level at which there was good demand could be clearly assessed. As in the Yankee bond market, the issue was effectively being offered on a yield basis.



When the bond was priced last Thursday, three days after it was launched, the coupon was set at 9⅝ per cent and the bonds priced at 99¾, to yield 9.95 per cent, the higher end of the yield range the lead manager had considered when it launched the issue.

During the first day of trading this bond was quoted at 99½, which means that investors could buy the issue in the secondary market at the same price as if they had bought it from the managers or the underwriters. Indeed the commissions paid by the borrower were much lower than is current practice: 1 per cent for the management fee, ¼ per cent for the underwriting commission and a selling commission of ½ per cent which is given away to all the institutional investors.

This exercise could not have come at a better time. Conditions in the dollar sector are not good and buyers are largely remaining on the sidelines waiting for clearer trends to emerge in U.S. interest rates and the dollar. Yet this issue was placed in firm hands, over 80 per cent of it is understood to have found its way to institutional investors.

While the borrower did not pay less than if it had had the bond floated according to tradition, distribution of the bond was better and its secondary market performance was good.

The exercise was, of course, made easier by the quality and maturity of the paper—exactly the type of instrument which central banks and major institutions like to have on their books. While no one expects the new practice to catch on instantly, it points to a direction in which many market participants hope the Eurobond market will move.

The management group for this issue included banks like Salomon Brothers and Orion, will known for their institutional ties but also Paribas and Dresdner, more reputed for their retail distribution muscle. That Dresdner was a manager is all the more interesting as this bank acts on a rotating basis with Deutsche Bank, as lead manager for the Kingdom of Sweden's D-Mark issues.

The Deutsche Bank however, was not to be found among the managers or the underwriters of the issue. The three big Swiss banks are understood to have indicated they would have nothing to do with the issue.

The $100m FRN for Citicorp came too late last Friday to elicit any reaction from the market. The structure and terms of the bonds suggest this issue is closer to a money market instrument than to a bond. It appears to be aimed at the cash rich companies and institutions to whom it would offer, at least initially, a better return than a three-month certificate of deposit. The timing of this issue could well turn out to be judicious as interest rates are widely expected to rise during the next few months.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	price	Lead Manager	Offer yield %
U.S. DOLLARS							
††§Canon Inc.	80	1994	—	*	*	Goldman Sachs	*
‡††ECSC	125	1999	15	9¼	98.915	Lehman Bros. Kuhn Loeb	10.12
‖§Allegheny Airlines	25	1994	—	9	100	Kuhn Loeb Lehman Bros.	9.0
‡†Bank Handlowy	30	1984/89	—	7½Φ	100	BNP	7.64Φ
†Banco de Chile	35	1986	7	6½Φ	100	Man. Hanover	6.61Φ
‡Sweden	100	1984	5	9⅝	99¾	S.G. Warburg	9.95
†Krung Thai Bank Ltd.	25	1984	5	6¾Φ	100	Man. Hanover	6.86Φ
‡Michelin	125	1994	12.4	10	99½	BNP	10.10
††Trade Dev. Fin. Ser.	40	1982/86	—	6Φ	100	Crédit Suisse First Boston	6.09Φ
†Citicorp	100	1983	3½	—	100	Crédit Suisse First Boston	—
D-MARKS							
‡**EIB	200	1989	10	7⅝	100	Deutsche Girozentrale	7.625
Asian Dev. Bank	100	1989	10	7½	99½	Deutsche Bank	7.57
**Norges Kommunalbank (g'teed Norway)	100	1989	7½	7⅜	100	WestLB	7.38
SWISS FRANCS							
‡IADB	100	1989	n.a.	4½	100	Crédit Suisse	4.5
‡CNT (g'teed France)	100	1989	n.a.	4⅜	100½	Crédit Suisse	4.345
EIB	100	1994	n.a.	4⅜	99½	Soditic	4.425
‡**Abex Int. Holdings	25	1984	n.a.	4¼	100	UBS	4.25
‡**§Riccar Sewing Machines	35	1984	—	4¾	100	Crédit Suisse	4.75
‡**†Kayaba	25	1984	4	4Φ	100	Crédit Suisse	4.0Φ
‡**Daishowa Paper (g'teed Sumitomo Bank)	30	1984	n.a.	4½	100	UBS	4.5
YEN							
EIB	15bn	1989	¶	7¾	99¼	Nomura	8.01
KUWAITI DINARS							
Credit Immobilier (g'teed Morocco)	6	1989	6.55	8½/8¾	*	KIIC	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Postponed.
Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY JOHN WYLES

A stronger undertone

ABLE TO identify a new Treasury Secretary, Mr. William Miller, in whom it has some confidence and, more important, a new Federal Reserve Board chairman, Mr. Paul Volcker, who is regarded as the best man for the job, U.S. bond markets last week regained a little of the strength and tone which characterised the rally of May and June.

Since President Carter cancelled his energy speech at the start of this month and launched his Camp David re-examination of personnel and policies, prices have steadily weakened in a mood of uncertainty and some depression. This has not been totally dispelled by two appointments, however important. But so long as the foreign exchange markets are willing to allow the new policy making team at the Treasury and the Fed time to have some impact on the grave economic problem of inflation, then the bond markets may enjoy greater stability for the balance of the summer.

The substantial rally which greeted news of Mr. Volcker's appointment on Wednesday is not without irony. For in welcoming a man who has tremendous knowledge and expertise of domestic and international finance, as well as a somewhat more conservative view of monetary policy than his predecessor, the bond markets were also endorsing a new Fed chairman who in the near term may threaten bond price stability by boosting short term interest rates.

Mr. Volcker has been as guarded as you might expect in publicly discussing the outlook, but there is a strong sense on Wall Street that he will be less "gradualist" in his approach to interest rates and reducing inflation than was his predecessor. Certainly the increase in commercial banks' prime rates on Friday to 11½ per cent resulted partially from the anticipation of still higher money market rates under the new regime as well as a reflection of dearer money following a discount rate increase and an upward adjustment in the Fed's funds rate target during the previous seven days.

Nevertheless, on Wednesday medium- and long-term Treasury bonds wiped out their losses of the previous two days and gained between 9 and 18 basis points. The closely studied 9¼ per cent bonds of 2009 rose ⅞ to yield 8.96 per cent while older corporates added between ¼ and ⅛.

Subsequent news of a 1 per cent increase in the consumer price index in June caused some backtracking by the close on Friday so that the Treasury market remained pretty much unchanged on the week and corporates up ⅛ or unchanged.

A heavy calendar of new corporate issues included $350m 25-year triple A debentures from Ford Motor Company, Ford's first bond sales since 1974. The issue was priced to yield 9.18 per cent, about 0.19 per cent above long term Treasuries as a reflection of Ford's exposure to the economic cycle. A prime quality food company, by contrast, could expect to pay a premium above Treasuries of 0.05 to 0.1 per cent. The Ford issue was 85 per cent taken up at its sale on Thursday.

Earlier, the European Coal and Steel Community had made its first excursion into the U.S. Yankee bond market since 1977 with a triple A rated $125m 20-year issue. Priced to yield 9.875 per cent the issue traded in the secondary market at the end of the week ⅛ of a point higher to yield 9.84 per cent.

MEDIUM-TERM FINANCE

BY JOHN EVANS

Mexico's fine terms spark debate

MEXICO can this week claim to be the first of the developing nations to offer substantial amounts of its Eurocurrency debt at terms to which hitherto only the major industrial countries could aspire.

However, the Euromarkets are divided over whether this development marks yet another significant downward step in the steady decline in Euromarket lending spreads witnessed over the past year.

In its two latest Euromarket loans, Mexico is raising a total of $320m at ⅝ per cent over London Eurodollar interbank offered rates. The larger transaction, a $200m credit for the United Mexican States, has a six-year "bullet" maturity—that is there are no amortisation features. The lead manager is Westdeutsche Landesbank.

Simultaneously, $120m is being launched for the state foreign trade bank, Banco Nacional de Comercio Exterior, by International Mexican Bank.

This ten-year transaction will have an average life of only 5¼ years, as repayments will begin one year after drawdown starts.

Mexican state loans in the Euromarkets have commanded steadily improving terms in the last few years, since the oil related recovery started after Mexico's economic problems in 1976. Its more recent credits have been priced on the basis of spreads between ⅞ and ¾ per cent, with maturities ranging up to 10 years.

In contrast, Latin America's leading oil exporter, Venezeula, is currently raising an $850m Euroloan for 12 years on the basis of spreads of ⅞ and ¾ per cent.

In recent years, only the industrial nations could win ½ per cent or occasionally ⅜ per cent pricing from the Euromarkets.

Mexico is generally categorised as a developing country with intermediate middle income. After Brazil, it is the most indebted nation, with foreign borrowings of more than $25bn.

But its strategic importance to the West, after the new oil discoveries, puts Mexico in a unique position, as regards judging its credit-rating, bankers say.

Pemex is now arranging a $1.5bn banker's acceptance facility in the U.S. money markets, primarily in order to generate short-term finance for its future oil and gas exports to the U.S.

The relatively modest maturities on these two latest credits also suggest that Mexico has not yet achieved a financing breakthrough in the Euromarkets, say many bankers.

Nonetheless, others are concerned that an "industrial country" rating for Mexico may spur other developing nations to seek similar terms from their banks. A number of Third World countries are generating an oil-producing potential, although none on the same scale as Mexico.

There also seems little doubt that, if the two loans prove a success, Mexico will seek longer maturities at the ⅝ per cent level for its future loans.

Latest official Mexican data show that, at end-1978, public sector external debt stood at just over $25bn compared with $20.1bn at end-1977.

This year, total debt service charges, including principal payments and interest, will total $7.25bn. Up to 1983, total servicing costs will total $26bn.

By the year 2003, the total estimated debt service charge on Mexico's debt will amount to $35bn, including $10bn of interest payments.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	97⅛	98⅛	0	−0⅛	10.30
Alex Howden XW 9½ 91	30	92⅞	94⅛	0	0	12.15
Ayco O/S Cap. 10¼ 87	40	96⅞	97⅞	0	−0⅛	10.80
Bayer Int. F. XW 7¼ 89	200	83⅛	83⅞	0	−0½	10.03
CECA 9¾ 84-89	50	94⅛	94⅞	0	−0½	10.04
CECA 10¾ 91	150	97⅜	98⅛	0	0	11.07
Canada 9 83	400	98⅛	98⅜	+0¼	+0⅛	9.69
Canada 9¼ 98	350	97⅛	97¾	+0⅛	−0⅛	9.76
Canadian Pacific 9⅝ 89	50	97⅛	98	−0⅛	−0⅛	10.11
Carter Hawley 9¾ 88 ...	50	96⅛	97⅛	0	−0⅛	10.40
Comalco Inv. E. 10¼ 91	40	99½	100	0	0	10.28
Continental Grp. 9⅝ 88	100	97⅛	97⅝	−0⅛	−0⅛	10.14
Dome Petroleum 10 94	50	96⅛	96⅞	+0⅛	−0⅛	10.47
Dominion Bridge 10¼ 84	30	99½	100	0	−0⅛	10.30
Dow Chem. O/S 9⅜ 94	200	97	97½	+0⅛	−0⅛	9.98
EIB 9¾ 88	150	98⅞	99⅛	+0⅛	+0⅛	10.05
EIB 9⅞ 98	100	99	99½	0	−0⅛	10.21
EIB 9⅞ 87	150	100	100½	0	0	10.07
EIB 10 99	150	100½	100⅞	+0⅛	+0⅛	10.20
Export Dv. Cpn. 9.85 84	150	100⅛	100⅞	+0⅛	+0⅛	9.94
Export Dv. Cpn. 9¾ 84	100	97	97½	−0⅛	−0⅛	10.00
Finland 9½ 86	100	96⅞	97⅝	0	−0⅛	10.09
Finland 9¾ 89	100	98⅛	98⅝	0	+0⅛	10.11
GTE Finance 9½ 84	50	97⅛	97⅝	0	−0⅛	10.21
GTE Finance 9¾ 89	85	95⅛	96⅛	0	−0⅛	10.43
General Motors 9⅜ 89 ...	100	97½	98	0	−0⅛	9.70
Gould Int. Fin. 9¾ 85	50	97⅛	98⅛	−0⅛	−0⅛	10.21
Hoechst Fin. XW 8⅞ 89	125	79⅛	79⅝	−0⅛	−0⅞	10.14
Hudson Bay Co. 10 94	50	96⅝	98⅛	−0⅛	−0⅞	10.14
ITT Antilles 9½ 89	75	95⅞	96⅛	−0⅛	−0⅛	10.13
Kennecott Int. 9½ 86 ...	100	94⅛	95¼	0	−0⅞	10.55
Manitoba 9½ 89	75	96	96½	+0⅛	−0½	10.11
Nat. Des Telecm. 9½ 86	100	97⅛	98⅛	+0⅛	−0⅛	9.90
New Brunswick 9⅜ 94	75	96	96½	0	−0⅛	10.24
Newfoundland 10 94 ...	50	98½	99	+0⅛	−0½	10.15
Norsk Hydro 9⅛ 94 ...	50	94½	95	+0⅛	−0½	9.93
Norway 9⅜ 84	150	100	100½	0	−0⅛	9.91
Norway 9⅞ 84	150	96½	96⅞	0	−0⅛	9.92
Nova Scotia Pwr. 9¾ 89	50	97½	97⅞	−0⅛	−0⅛	10.75
Occidental Fin. 10⅛ 84	50	99½	100	0	0	10.30
Orient Leasing 9½ 86 ...	25	†95⅛	95⅞	0	−0⅛	10.44
Pennwalt O/S F. 9⅜ 84	25	98	98½	+0⅛	−0⅛	10.21
Pepsico Cap. 9⅜ 84 ...	100	97⅝	98⅛	−0⅛	−0⅛	9.82
Portland 10 84	50	97⅛	97¾	+0⅛	0	10.68
Quebec Hydro 10 99	75	95⅛	96⅛	0	−0½	10.49
Redland Fin. XW 9½ 91	25	91⅛	92	0	−0⅛	10.78
Sears Roebuck 9 82 ...	150	97⅜	98⅛	0	−0⅛	9.88
Stockholm 9¾ 94	60	98⅛	99⅛	0	−0¼	10.14
Sweden 9⅜ 89	100	98⅛	98⅞	0	−0⅛	9.96
Sweden 9½ 86	200	98½	99	+0⅛	0	9.99
Unilever NV 9¼ 87	100	96⅞	96⅞	−0⅛	−0½	9.93
Warner-Lambert 9 84...	100	96⅞	97⅛	0	−0⅛	9.78

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	94¼	95	+0⅛	+0⅛	6.42
Argentina 6½ 88	150	89⅜	90½	+0⅛	+0½	8.05
Argentina 7½ 89	150	94½	95⅛	0	+0⅛	8.28
Austria 5¾ 90	150	91⅛	91⅞	−0⅛	+1	6.85
Banco Desarrollo 7⅛ 86	100	94⅛	95⅛	−0¼	−0⅛	8.30
Barclays O'seas 6⅝ 89	100	97⅛	98	0	+0⅛	7.09
Bq. Ext. Algerie 7⅛ 85	100	95¼	96	0	0	8.16
Brazil 7¼ 87	150	96⅛	97⅛	+0⅛	+0⅛	7.83
CECA 6 88	150	92⅛	93⅛	+0½	+0⅞	7.09
CECA 7 91	150	97⅜	98⅛	+0⅛	+0¼	7.22
Copenhagen City 6 90.	75	91⅛	92⅞	+0⅛	+1⅛	7.05
Council of Eur. 6¼ 88...	130	92⅜	93⅛	+0¼	+0½	7.31
Council of Eur. 7¼ 89...	100	99	99⅛	+0¼	+0⅛	7.34
Denmark 5¾ 85	100	94¼	95	0	+0⅛	6.95
Denmark 6½ 89	100	94⅞	95⅛	+0⅛	+1⅛	7.20
EIB 6½ 91	200	94½	95¼	+0⅛	+0⅞	7.16
EIB 7½ 89	200	101⅛	101⅞	+0⅛	+0½	7.28
Petrobras-Brazil 7 87...	100	94¼	95	0	−2	7.97
Eurofima 6½ 89	100	98⅜	99⅛	0	0	6.64
Finland 6 83	150	98⅞	99⅜	+0⅛	+0⅛	6.19
Megal Fin. 7 89	150	98½	99⅛	+0⅛	+1⅛	7.16
Mitsubishi Chem. 6½ 84	70	100⅛	101	0	+0⅞	6.33
New Zealand 6⅛ 87 ...	200	96⅜	97½	+0⅛	+0⅛	6.75
Nippon Koken 6½ 84 ...	100	99⅛	100	0	0	6.58
Nippon Tel. & T. 5½ 87	100	93⅜	94⅛	+0¼	+0½	6.57
Nordic Inv. Bk. 6⅞ 86	60	95½	96⅞	0	+0⅛	7.05
Norges Komm. 7⅜ 91	150	103⅜	104⅛	+0⅛	+1⅛	7.24
Norway 6¼ 84	200	101⅝	102⅛	0	−0⅛	5.74
Occidental 6¾ 90	150	93⅜	94⅛	0	+0⅛	7.55
OKB 6½ 88	100	96⅜	97⅞	0	+0⅛	6.94
OKB 6 87	40	†92½	93¼	0	+0⅛	7.25
Tokyo Elec. Pwr. 6¼ 85	200	98⅞	99⅜	−0⅛	0	6.71
Venezuela 6½ 90	150	90	90⅞	0	+0⅛	7.81
World Bank 6⅛ 88	400	94	94⅞	−0½	+0⅛	7.09
World Bank 7⅜ 91	400	101½	102⅛	+0⅛	+1	7.62

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Exp. Int 3½ 93	40	92⅛	92⅞	−0⅛	−0½	4.20
Argentina 5½ 88	80	100	100¼	−0⅛	−0⅛	5.48
Asian Dev. Bank 3½ 94	100	85	85¼	−0⅛	−0⅞	4.98
Aumar 5 89	60	101	101½	−0⅞	−1⅛	4.84
Austria 3½ 93	100	90⅛	90⅞	+0⅛	0	4.38
Australia 3⅞ 89	250	95½	95⅞	−0⅛	−0½	4.18
Brazil 4⅛ 88	100	95⅛	95⅞	−0½	−0½	4.89
Canada 3⅞ 89	300	95⅞	96⅛	+0⅛	−0⅛	4.13
Council of Eur. 4¼ 90	100	99⅛	100	−0⅛	+0⅛	4.26
EIB 4½ 91	100	100⅛	100⅝	−0⅛	−0⅛	4.47
Heron 4½ 88	35	95⅛	96	+0⅛	+1	4.79
ICI Fin. NV 3½ 94	230	90⅛	91	−0½	−0⅛	4.35
Malaysia 4⅜ 90	80	96	96⅞	−0⅞	−1⅛	5.21
New Zealand 3½ 94 ...	120	90⅛	90⅞	−0¼	−0⅛	4.40
OKB 3¾ 91	100	90½	90¼	−0⅛	−1⅞	4.82
Ostd. Ost. Lande 4 90	60	94⅞	95⅛	+0⅛	0	4.60
Philippines 4⅞ 89	50	96⅜	96⅛	−0⅛	−0⅛	5.22
Sandvik 4 90	35	96	96¼	−0⅛	−0⅞	4.44
Spain 4 91	100	93⅛	93⅞	−0⅛	−0½	4.71
Steweag 4⅞ 91	60	101⅞	102⅛	−0⅛	−0⅛	4.63
Voest-Alpine 4⅞ 89	90	102¾	103	−0⅛	−1	4.38
World Bank 4⅝ 89	100	104⅛	104⅞	+0⅛	−0⅛	4.10

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5¾ 88	15	96⅛	97⅛	0	+0⅛	7.82
Australia 5.6 83	30	94¼	95⅛	+0⅛	+0⅛	7.14
Australia 6½ 88	20	90⅜	91⅛	0	+0⅛	8.06
Finland 5.6 83	10	95	96	+0⅛	0	7.49
Finland 6.8 88	10	90⅛	91⅞	0	+0⅛	8.29

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	25	96⅛	96⅞	0	−0⅛	10.13
Avco Fin. 10¼ 86 C$	25	98	98½	+0⅛	+0⅛	11.04
Ex. Dev. Cpn. 10 84 C$	50	98⅜	99⅛	+0⅛	0	10.25
Fst. Can. Inv. 10 84 C$	50	97⅛	97⅝	+0⅛	−0⅛	10.67
Hudson Bay 10¼ 89 C$	50	99	99½	0	−0⅛	10.61
Quebec 10¼ 86 C$	50	96⅞	97⅛	0	−0⅛	10.91
R. Bk. Canada 10 86 C$	40	99⅛	99⅞	+0⅛	+0⅛	10.12
R. Bk. Canada 10 94 C$	40	95⅛	95⅞	+0⅛	−0⅛	10.58
Copenhagen 8¾ 91 EUA	25	97⅞	98⅛	+0⅛	+0⅛	8.45
Komm. Inst. 7½ 93 EUA	15	94⅛	95⅛	+0⅛	+0⅛	8.10
SDR France 8¾ 84 EUA	24	*94⅛	96⅛	−3⅛	−3⅛	9.07
[illegible] 89 EUA	40	95⅛	97	+0⅛	+0⅛	8.81
Algemene Bk. 6⅛ 83 Fl	75	92	92⅛	+0⅛	+0⅛	8.68
CFE Mexico 7⅛ 83 Fl ...	75	95⅛	96	0	+1⅛	9.10
EIB 7⅛ 85 Fl	75	91⅛	92⅛	−0⅛	+0⅛	8.98
Ned. Middbk. 8⅛ 84 Fl	75	98⅞	99⅛	−0⅛	+0⅛	8.43
New Zealand 6⅛ 84 Fl	75	91⅛	92⅛	+0⅛	+0⅛	8.82
Norway 8⅛ 84 Fl	100	98⅛	98⅞	0	+0⅛	8.63
Elf Aquitaine 9¾ 88 FFr	150	91	91⅛	−0⅛	+1	11.28
Euratom 9¾ 87 FFr	150	91⅛	92⅛	−0⅛	+1⅛	11.33
Norway 9¾ 84 FFr	200	93	94	+0⅛	+1	11.11
PSA Peugeot 9¾ 87 FFr	175	91	91½	−0⅛	+1	11.50
Renault 9⅜ 85 FFr	100	93⅛	93⅞	−0⅛	+0⅛	11.30
Saint-Gobain 9⅜ 86 FFr	130	91⅛	92⅛	+0⅛	+1⅛	11.56
Solvay et Cie 9⅜ 87 FFr	125	91	91⅛	+0⅛	+1	11.47
Total Oil 9⅜ 87 FFr	150	89⅛	90⅛	−0⅛	+0⅛	11.41
Unilever 10 85 FFr	100	95	96⅛	+0½	+1	11.03
Citicorp 10 93 £	20	92⅞	93⅞	−0⅛	−0⅛	10.98
EIB 9¾ 88 £	25	91	91⅞	0	−0⅛	11.35
EIB 11⅛ 91 £	25	95	95½	0	−0½	12.27
Finance for Ind. 13 91 £	15	103⅛	103⅞	−0⅛	−0½	12.39
Fin. for Ind. 12½ 89 £	30	100⅛	100⅞	−0⅛	−0⅞	12.42
Gen. Elec. Co. 12½ 89 £	50	100⅛	100⅞	−0⅛	−0⅛	12.38
Euratom 8 87 LuxFr	500	96⅞	97⅛	−0⅛	+0⅛	8.61
Norges Km. 8 86 LuxFr	500	96⅛	96⅞	+0⅛	−0⅛	8.82
Oslo, City of 8 89 LuxFr	500	97⅞	98⅛	−0⅛	0	8.36
Solvay Fin. 8 85 LuxFr	500	96⅛	97⅛	0	+0⅛	8.68

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFG Fin. Co. 5½ 89	0⅛	98⅛	98⅞	11/1	11	11.15
BNDE 6 89	0⅛	96⅞	97⅛	21/9	11⅛	11.44
Banco di Roma 6 87	0⅛	98⅛	98⅞	26/10	11.19	11.34
Bco. Nac. Argent. 7 86	0⅛	97⅛	97⅞	22/9	11½	11.79
Banco Prov. BA 7⅛ 86	0⅛	98⅛	99⅛	12/6	11	11.14
Banco Urquijo 6 88	0⅛	98	98½	21/9	11½	11.70
Bank of Tokyo 5½ 93	0⅛	98⅞	99⅛	18/10	11⅛	11.85
Bq. Ext. d'Alg. 7½ 85	0⅛	95	96	2/11	11⅛	12.43
Bque. Indo Suez 5¾ 89	0¼	98⅛	98⅞	11/1	11	11.15
Banque Sudameris 6 87	0⅛	97⅛	97⅞	11/1	11⅛	11.41
BNP 5½ 91	0⅛	98⅞	99⅛	22/2	11⅛	11.50
Citicorp O/S Fin. 6 94	‡0¼	99⅜	100⅛	8/8	10.69	10.70
Creditanstalt 5½ 91	‡0¼	98⅛	98⅞	14/8	10⅞	11.03
Gotabanken 6 88	0⅛	98⅛	98⅞	15/5	11½	11.66
Ind. Bk. Japan 5½ 85	0⅛	99½	100	1/12	10.94	10.97
Jugobanka 8 88	0⅛	95⅛	96⅛	23/11	11⅞	12.65
LTCR Japan 5¾ 85	0⅛	99⅛	99⅞	9/10	11⅛	11.67
LTCB Japan 5½ 89	0⅛	99	99½	7/12	11⅛	11.21
Mfrs. Han. O/S 5¾ 94	‡0⅛	99⅛	99⅞	23/8	11.19	11.29
Nacional Fin. 6¾ 86	0⅛	97⅛	98⅛	25/1	—	—
Nat. West. 5½ 94	0⅛	98⅛	98⅞	11/10	11	11.17
Nippon Credit Bk. 5½ 85	0⅛	99⅛	99⅞	22/12	10.94	11.01
Nippon Credit Bk. 5½ 86	0⅛	98	98½	12/1	10⅞	11.07
Panama 7 91	0⅛	†99⅛	100⅛	19/7	—	—
Petro Mexicano 7 84	0⅛	98⅛	99⅛	24/7	12.06	12.17
Privredna Banka 8 86	0⅛	95⅛	96⅛	20/12	11.58	12.08
Royal Bank Scot. 5¾ 94	‡0⅛	98⅞	99	11/10	11	11.14
Sogenal 5½ 89	0⅛	98	98½	11/1	10.94	11.13
Texas Int. Airways 7 86	‡0¼	98⅛	98⅞	11/10	11.56	11.97
TVO Pwr. 8 91 (D-lock)	0⅛	97⅛	98⅛	24/11	11⅛	11.35
Utd. Overseas Bk. 6 89	‡0⅛	97⅛	98⅛	29/9	11.14	11.38
Bq. E. d'Alg. 4¾ 89 SF	0⅛	97	97⅛	18/12	4⅛	4.38

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7¾ 89	10/79	174	92⅛	93⅛	−0⅛	−2.32
Ciba-Geigy O/S F. 4 94	9/79	675	†84½	85	0	[illegible]
Credit Suisse 4¾ 93	10/79	1325	†105⅛	106⅛	0	5.09
Esselte 7¾ 89	9/79	159	95⅛	96⅛	0	−5.10
Honda Motor 5¾ 89	5/79	532	†99½	100	+0⅛	5.64
LPC Internatnl. 8 89	9/79	35	†101⅛	101½	−0⅛	9.31
Nitto Elec. Ind. 6 94	7/79	735	*82⅛	83⅛	−0⅛	−1.57
Novo Industri 7 89	4/79	259	96⅛	97⅛	+0⅛	1.27
Fuitsu 6 84 DM	7/79	475	99⅛	100⅛	+0⅛	22.86
Kansai Elec. 4 84 DM	4/79	1350	88⅛	89	−0⅛	44.76
Marudai Food 3½ DM	2/79	1033	81⅛	81⅞	0	48.66
Nippon Ysn. 3½ 85 DM	1/79	251	†117⅛	118⅛	0	−2.06
Nissan Diesl. 3½ 86 DM	2/79	477	†83⅛	84⅛	+0⅛	13.72
Olymp. Opt. 3½ 85 DM	2/79	703	91⅞	92⅛	+0⅛	−1.97
Sharp Cpn. 3½ 86 DM	2/79	487	*94½	95⅛	+7⅛	25.61
Tokyo Elec. 3½ 87 DM	4/79	476	87⅛	88⅛	0	34.57
Tokyu Ld. Co. 4 86 DM	4/79	493	†83⅛	84⅛	−0⅛	30.06

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
July 27 ...	95.28	8.68	89.41	9.45
July 20 ...	95.38	8.68	89.41	9.45
High '79 ...	96.75	(1/2)	89.89	(30/1)
Low '79 ...	94.40	(11/1)	88.67	(28/2)

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	779.3	3,040.2
Previous week ...	1,102.6	2,164.0
Other bonds		
Last week	289.9	408.7
Previous week ...	357.0	316.7

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

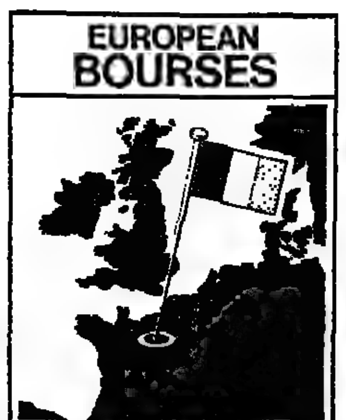
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on July 27

EUROPEAN BOURSES



PARIS

The strongest market in Europe

BY RICHARD LAMBERT, Financial Editor

THE RECENT changes in exchange controls have dramatically widened the horizons of UK investors. They are now free to deal directly in the major bourses of continental Europe without paying any premium for the privilege. The strength of sterling has prevented any rush of funds across the Channel. But UK fund managers can no longer afford to ignore what goes on elsewhere in Europe.

Paris stood out among the world's major stock markets during the second quarter of 1979 with much the sharpest price gains. As calculated by brokers, Wood Mackenzie, the rate of return including dividend income over the three months amounted to 21 per cent. That was nearly twice as great as the nearest rival, Canada. The *main share price* indices are still pushing up to their high points, and there are plenty of bullish arguments to be heard around the market *place*.

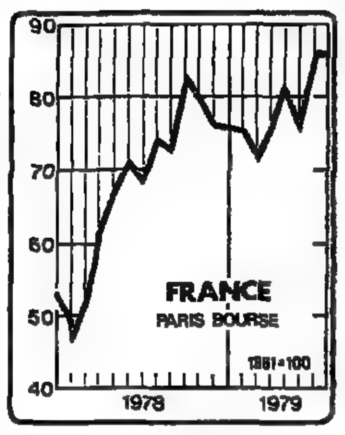
Company profits are rising strongly. Corporate profits as a whole could be up to 25 per cent better this year, and *dividends are keeping pace*. Indeed there is some evidence that pay-out ratios generally are rising. And despite the upsurge in prices since the election in March, 1978, French shares are still not particularly expensive by international standards.

The average yield is a little *over 5 per cent and plenty of* important companies, like Paribas, Compagnie Generale d'Electricite or Saint-Gobain, offer substantially more than that. On the basis of this year's likely results, the market as a whole could be selling at well under eight times earnings.

Relative to the World Index of share prices, as calculated by Capital International of Geneva, Paris has now fully recovered from the sickening declines of 1976 and 1977. That was when it looked as though the French capitalist system could be in real danger. But on the same relative basis, the market is still a long way short of the levels reached during the heady days of the early 1970s, when Paris became a fashionable home for international funds.

The technical position of the market is also sound. On the supply side, it seems likely that *there will not be quite such a* flood of rights issues this year as there was in 1978, when public companies raised FFr 4.8bn in new equity. In the first *four* months of this year, the total value of rights issues declined by nearly a fifth, and although activity will probably pick up in the autumn the companies which most needed to rebuild their balance sheets have already come to the market. The trend in new capital investment is sluggish, so there is no great call for new funds to finance expansion.

As for the demand side of the stock market equation, everyone *expects that as the year* draws to a close further



substantial sums of new money will come to the equity market as a result of the tax concessions granted in 1978 to encourage the movement of private savings into equities. The special investment funds (SICAV) created last year as a result of this Loi Monory pulled in FFr 3.4bn between August and December, and for the whole of this year the figure could be around FFr 4bn. The capitalisation of the whole market at the end of last year was less than FFr 300bn, so these are sizeable sums of new money.

In addition, it is accepted wisdom in Paris that the insurance companies are being officially encouraged to buy more equities. In 1976, domestic institutional investors (not counting the banks) were reckoned to own only about 16 per cent of outstanding French equities compared with their 50 per cent share of the bond market. And foreign investors, who in the same analysis were *shown to hold 15 per cent of all* equities, have also been showing fresh interest. Non-resident shareholders were heavy net sellers of French shares during the mid-1970s, but in the first nine months of last year they bought shares worth nearly FFr 300m more than they sold.

Yet all is not quite as bright as it *may appear*. The striking feature of the exchange at present is that despite the buoyancy of the indices, the shares of a large number of major companies are currently trading well below the high points reached earlier this year or back in 1978. There are some parallels here with the UK *stock market, where the heavy* manufacturing sectors are showing a very sorry performance in contrast with much stronger trends in the services, oils and financial groups.

In France, the share indices have been heavily influenced by big rises in three companies with very large market capitalisations—two oils (Elf-Aquitaine and Francaise des Petroles) and Avions Marcel Dassault. The latter's price has doubled since the start of the year. Matra is another technology company which is enjoying high favour at present, while consumer non-durables and some of the financials have also done well. This applies particularly to some of the property/housing companies.

But just as in the UK, the share prices of some of the big manufacturing groups have *been looking very unhappy*. For companies like Michelin, St. Gobain, Citroen and Thomson-Brandt, the bull market ended months ago.

The explanation starts with the fact that France is one of the economies in Europe most vulnerable to the steep rise in energy prices. The oil import *bill this year is expected to* rise by over FFr 15bn, and as a result the trade balance is swinging into the red. Analysts now think that the domestic rate of inflation this year may turn out to be 11 per cent or more, substantially higher than that of Germany. The consensus seems to be that this will put pressure on the franc within the European Monetary System, and that in order to hold the currency in something like its present position, interest rates will have to continue to move higher. Last week three big banks pushed their base lending rates up, the second round of increases this month. The rate is now up to 9.75 per cent, which is almost a full point higher than in June.

The outlook for corporate profits is also becoming more cloudy. The recent big gains are not so much the result of large volume increases, as of a very substantial improvement in profit margins during the past year or so. A number of companies reaped big benefits from a rise in consumer purchasing power of around 4 per cent in 1978, and coincided with the removal of price controls. In the second half of 1979, however, demand seems to be slackening across the economy. Some banks are now projecting a rise of well under 3 per cent in gross domestic product this year, and a more modest gain than that in 1980. Real disposable incomes are not expected to show much change. So it is hard to see how the company sector can keep price increases running ahead of costs for very much longer.

The biggest problem for the foreign investor—especially one unfamiliar with a market where the banks play as big a role in the stock exchange's activity as they do in Paris—is to know how much of the good news has already been discounted. Most of it, after all, has been pretty obvious for some months.

On balance, it seems unlikely that UK investors will decide to put much new money into French equities at present. And the bond market, dominated by the normally docile French institutions, is not usually a place for foreigners.

In terms of simple values—like price earnings ratios and dividend yields—Paris does not offer a great bargain compared with London. Anyone who wants to hedge against the strength of sterling will probably do better to turn to some currency other than the French franc. And UK investors are still rather nervous about the workings of the Paris bourse, despite a marked improvement in companies' disclosure practices in recent years. There are still raw memories of the mid-1970s, when a number of UK funds hit a painful double in the French market—in at the top and out at the bottom.

THE MOST ACTIVE STOCKS

	Price FFr	1978 p/e ratio	yield %
Michelin	921	4	4.4
Matra	7,000	9.9	1.9
Peugeot-Citroen	306.5	2.3	6.6
Paribas	217.1	5	9.2
Aquitaine	872	9.3	3
Saint-Gobain	117.1	6	12.4
Francaise des Petroles	196	9.8	7.5
Carrefour	1,610	12.6	4.8
Source Perrier	307	43.8	1.4
Air Liquide	472	14.8	3.4
Compagnie Generale d'Electricite	340	16.8	9.9
Thomson-CSF	366	7.9	3.1
Thomson-Brandt	192	4.1	8.4
Pechiney	92.1	9	8.1
Maisons Phenix	537	6.8	6.4

Source: L'Annee Boursiere and Societe Generale

GLOSSARY

Marche a terme. Confined to the largest and most active issues, this is the market where foreign investors mostly do their dealing. Costs for a large investor work out at around 1.1 per cent. Settlement is linked to a one month trading system, but can be deferred *into the following month by use of* the "marche des reports," or contango market. It is also possible to deal on a conditional basis, "marche a primes," or in negotiated options, "marche a options."

Trading on the "*marche a terme*" is conducted "a la criee," which takes place in an open and very vocal auction session.

Marche au comptant. A spot market which trades all the securities listed on the Paris Stock Exchange on the basis of cash and immediate delivery. Specified brokers are responsible for setting the price of particular securities. If the stock is also quoted on the "marche a terme," prices are set "par opposition," a method which ensures that the prices on the two markets are within 2 per cent of each other. Otherwise they are traded "par casier," which is an antiquated system of pigeonholes.

Marche hors-cote. Securities which are not listed on the official markets may be traded here on a cash basis. It is located within the Stock Exchange and business is handled by "agents de change" and their clerks. But it is not exactly over-regulated.

Agents de change have a legal monopoly over all dealing in stocks and shares. They are appointed by the Ministry of Finance, but their firms—which are either individual firms or limited partnerships or corporations—are strictly private. In principle, they are forbidden to trade short term for their own account, and although they have in recent years been permitted to take short term positions outside market hours, they are required to unwind these on the market as quickly as possible.

There are at present 99 agents de change in France, of which 70 are in Paris, and their numbers have been contracting in recent years.

Chambre Syndicale. By law, all *brokers* are grouped together into an association named the "Compagnie des Agents de change." The governing body, the "Chambre Syndicale des Agents de change," is elected annually by the members, and is responsible for the management of the exchange and the *application of its own disciplinary rules.* It administers a joint guaranty fund to protect the public against any default by a broker.

Commission des Operations de Bourse (COB). A Government agency created in 1967 with two main responsibilities. It *supervises* the disclosure practices of public companies, and has the final say about any new listing. And it oversees the operation of the Stock Exchange itself, checking the course of trading and the conduct of financial intermediaries, and proposing changes in the rules where necessary. It is not afraid to use its powers. For instance, insider dealing in France is a criminal offence and about a dozen people have been prosecuted following initial investigations by the COB.

Avoir fiscal is a tax credit equal to 50 per cent of the amount of the dividends paid to shareholders. It is available to UK shareholders of French companies—provided they do not own more than 10 per cent of the company. *Dividends* and interest from French securities are generally subject to a withholding tax of 25 per cent, but this can be offset against UK tax liabilities.

APPOINTMENTS

Senior post at County Bank

Mr. John A. S. Leighton-Boyce has been appointed chairman of COUNTY BANK from October 1, succeeding **Mr. Sidney Wild** on his retirement. Mr. Leighton-Boyce, a director of County Bank since 1977, is a deputy chairman of Pilkington Brothers and a director of National Westminster Bank. **Mr. Sidney Wild** is retiring from the main Board of National Westminster Bank and as chairman of County Bank on September 30. Mr. Wild was formerly deputy chief executive of National Westminster, executive committee chairman of the British Bankers Association and a member of the Board of Fédération Bancaire, Brussels. He will continue as a director of Yorkshire Bank where he is deputy chairman.

*

Mr. John Riddick has been appointed managing director of TERRA NOVA INSURANCE COMPANY subject to the formal approval of the Department of Trade, as required by the Insurance Companies Act. **Mr. T. L. G. Landon**, at present deputy chairman of Terra Nova, continues in that position until January 1, 1980, whereupon he will take up new responsibilities within C. T. Bowring Underwriting Holdings.

*

Mr. Daniel P. Weadock has been appointed Group executive of ITT Africa and the Middle East. He succeeds **Mr. John W. Guilfoyle**, who recently became president of ITT Europe Inc. In *his new position*, Mr. Weadock will report to **Mr. James V. Lester**, executive vice president and a member of the ITT office of the chief executive.

*

KIDDER PEABODY INTERNATIONAL has made the following appointments: **Mr. William J. Rainer**, vice president Kidder, Peabody, New York has been elected as managing director of K.P. SECURITIES, in charge of all trading activities of Kidder, Peabody in Europe. **Mr. Max Schneeberger**, *formerly* managing director of Dean Witter Reynolds, Switzerland will join Kidder, Peabody, Geneva with sales responsibilities in the German part of Switzerland. **Mr. George Ball**, formerly with Abu Dhabi Investment Company, has joined Kidder, Peabody International for primary and secondary bond sales. **Mr. Roy Evans**, formerly with Merrill Lynch, takes charge of bond sales in England and Scandinavia. **Miss Janet E. Watson**, formerly with Chemical Bank, has been appointed as manager in the Eurobond advisory department. **Mr. Philippe Dubois**, from Kidder, Peabody, Geneva, will join the fixed income sales group in Paris. **Miss Claire Glass**, formerly with Goldman Sachs has joined Kidder, Peabody's equity sales unit in London. Kidder, Peabody's European executive committee will consist of: **Mr. Hans-Joerg Rudloff**, chairman, Mr. Jean-Pierre Saillard, Mr. Jason Bacon, Mr. Pierre de Blonay, Mr. Peter Stuart-William, Mr. William J. Rainer and Mr. Harry Sibley.

*

UNITED GLASS is making a number of top-level management changes in anticipation of the retirement of **Mr. Vic Hender**, the group's managing director, early next year. **Mr. John Small** will relinquish his position as managing director of U.G. Glass Containers and become deputy managing director of The United Glass Group, prior to succeeding Mr. Hender as group managing director when he retires. **Mr. Tony McBurnie** will transfer from his position as managing director of The Ravenhead Company, and become managing director of U.G. Glass Containers. **Mr. Peter Chamberlain**, director, sales and marketing of U.G. Glass Containers, will take over from him as managing director of The Ravenhead Company.

*

Mr. J. A. Clough has been elected president of the TEXTILE INSTITUTE in succession to **Professor C. S. Whewell**.

*

Mr. Leslie Kemp has been re-appointed by the Government to a second, three-year term as chairman of the CONSTRUCTION INDUSTRY TRAINING BOARD.

*

Mr. Robin Compton has been elected chairman of Time Inc's British subsidiary TIME LIFE INTERNATIONAL.

*

Mr. John Salinas has been appointed managing director of ATLANTIC LEASING. In this position he will be responsible for all Atlantic Leasing's activities outside of the IBM computer systems leasing business throughout Europe, and will be based in the group's London headquarters at Atlantic House, London, EC4.

*

Mr. Don Davenport has been appointed managing director of SUTCLIFFE CATERING COMPANY (SOUTH), part of the Sutcliffe catering group in succession to Mr. J. D. Stirling Gallacher, who becomes group managing director.

CONTRACTS AND TENDERS

ARGENTINE REPUBLIC

Ministry of Economy

State Secretariat of Energy

Hydronor S.A.

Hidroeléctrica Norpatagónica Sociedad Anónima

Alicopa Complex

Alicurá Hydroelectric Project

Prequalification of contractors:

In connection with a subsequent call for tenders for design, manufacture, transport, erection, esting and commissioning of the following hydromechanical equipment for the spillway, intake works, draft tubes, bottom outlet and conduction to the turbines. Hydronor will receive and analyse the qualifications and references of those firms or consortia of firms, both national and international, that have adequate technical and financial capacity and wish to take part in the call for tenderers.

Subcontract No. 533/1—gates, trashracks and auxiliary equipment

Three spillway operation radial gates.
One set of six spillway maintenance sliding stoplogs.
Three intake operation fixed-wheel gates.
One intake maintenance sliding gate.
Fifty sections of removable trashracks.
One gantry crane for the intake and the spillway.
One set of four draft tubes maintenance sliding stoplogs.
One gantry crane for the draft tubes.
Four bottom outlet sliding gates.
Steel lining for the bottom outlet.

هكذا من الأصل

Subcontract No. 533/2—penstocks

Three penstocks for the main hydraulic turbines.

Terms of reference:

The procedure for submission of data for this purpose and the characteristics of the supply object of these biddings are set out in corresponding prequalification documents which may be obtained either from Hydronor S.A., Av. Leandro N. Alem 1074, 5th Floor, 1001 Buenos Aires, or at the main offices of Electrowatt Engineering Services Ltd., P.O. Box, Bellerivestrasse 36, CH-8022 Z, Switzerland, and SVECO AB, P.O. Box 5036 2 Linnegatan, S 102 41 Stockholm 5, Sweden, as from July 12, 1979.
The envelopes containing the qualifications and references of the firms or consortia concerned must be submitted to Hydronor S.A. Av. Leandro N. Alem 1074, 5th Floor, 1001 Buenos Aires, Argentina, before 4 p.m., September 3, 1979.

ARGENTINA

Bella Vista S.A. (e L) Sugar Company

INTERNATIONAL CALL FOR TENDERS

Sale of a sugar company as a unit, alcohol distillery and 6.000 Hectares of sugar cane all located in the province of Tucumán (Argentina).

Base: u$s 43.110.112

Terms of Payment: 10% on adjudication; 15% on possession and balance up to sixty (60) months.

Opening of Tenders
7th August, 1979, at 4 p.m., at 120 Defensa Street, 5th floor, Buenos Aires, Argentina.

Offers will be received until one hour before limit time.

Specifications and Information
Available at 575 San Martín Street, 2nd floor, Of. # 15, Tucumán, Argentina, or at 1070 Cerrito Street, 11th floor, Buenos Aires, Argentina,

Trust receiver

TENDERS INVITED

REFRIGERATION EQUIPMENT FOR BRAZIL

Centrais de Estocagem de Santa Catarina S.A. is now at the stage for implementation of a refrigerated warehouse facility for food storage to be located in the city of Itajai in the state of Santa Catarina, Brazil.

Machinery and equipment for this project of food storage is now required and full specifications for tender may be obtained from:

Centrais de Estocagem de Santa Catarina,
Rua Ercilio Luz 53,
Edificio Rio de Ouro,
Cuarto Andar, Conj. 501, Itajai, Santa Catarina, Brazil.

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.
Alexander Fund | US$7.93 | — | —
Net asset value July 25.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741
AHR Gilt Edg.Fd. | £12.68 | 12.70 | — | 12.02

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077
Cap. Tst. (Jersey) | 123.0 | 127.0 | — | 7.87
Next dealing July 23
Gov't Secs. Tst. | 95.5 | 99.0 | — | 12.63
Next dealing date July 30.
East &Intl.Tst.(CI) | 102 | 109 | — | 3.47
Next dealing date Aug. 9.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127 Kent St., Sydney
US$1 Shares | $US1.48 | — | —
Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.
Wldinvest Income | 109.64 | 110.20 | — | 8.39
Prices at July 19. Next sub. day July 25.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels
Renta Fund | US$59.93 | 61.78 | +0.13 | 8.14

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806
Barb. Int. Fund | 85.1 | 90.1 | — | 5.00

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741
Overseas Income | 45.9 | 48.3 | -0.1 | 12.65
Unidollar Trust | US$11.54 | 12.13 | — | 1.66
Unibond Trust | US$98.50 | 99.46 | — | 9.00
1, Thomas St., Douglas, Isle o. Man. 0624 4856
Unicorn Aust. Ext. | 39.7 | 42.7 | — | 2.10
Do. Aust. Min. | 29.9 | 32.2 | — | 1.90
Do. Grtr. Pacific | 63.7 | 68.6 | -0.8 | —
Do. Intl. Income | 35.5 | 38.2 | — | 9.10
Do. Isle of Man Tst. | 44.5 | 47.9 | -0.9 | 9.40
Do. Manx Mutual | 25.7 | 27.7 | -0.3 | 1.80

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911
ARMAC *July 2 | US$38.54 | 40.98 | — | —
CANRHO **July 2 | £0.875 | 0.928 | — | —
COUNT **July 2 | £2.658 | 2.819 | — | 1.86
Originally issued at *$10 and **£1. Next val. Aug. 6.

Bishopsgate Progressive—Ldn. Agents
9, Bishopsgate, EC2N 3AD 01-588 6280
BNAUT Inc. July 25 | $US2.84 | 3.00 | — | —
BNASF July 26 | 100.0 | 106.05 | — | —

Bridge Management Ltd.
GPO Box 590, Hong Kong
N'bashi June 30 | Y16,560 | — | —
Nippon Fd. July 18 | US$16.54 | 17.27 | — | 0.96

Britannia Tst. Mngmt. (C.I.) Ltd.
30 Bath St., St. Helier, Jersey. 0534 73114
Sterling Denominated Fds.
Growth Invest | 37.0 | 40.0 | -1.1 | 4.50
Far East & Int. Fd. | 71.9 | 77.7 | -2.0 | 1.00
Jersey Energy Tst. | 184.0 | 198.9 | +8.8 | 1.50
Univsl. $ Tst. Stg. | £2.35 | 2.47 | +0.05 | 1.00
High Int. Stg. Tst. | £0.95 | 0.98 | — | 12.20
U.S. Dollar Denominated Fds.
Univsl. $ Tst. | US$6.37 | 6.71 | +0.10 | —
Int. High Int. Tst. | US$0.99 | 1.02 | — | 8.80
Value July 27. Next dealings July 30

Brown Shipley Tst. Co. (Jersey) Ltd.
P.O. Box 583, St. Helier, Jersey. 0534 74777
Stg. Bd. Fd. (h) | 10.42 | 10.46 | -0.01 | 12.18

Butterfield Management Co. Ltd.
P.O. Box 195, Hamilton, Bermuda.
Buttress Equity | $US2.92 | 3.02 | — | 1.60
Buttress Income | $US2.11 | 2.18 | — | 8.74
Prices at July. Next sub. day Aug. 6

Capital International S.A.
37 rue Notre-Dame, Luxembourg.
Capital Int. Fund | $US18.56 | — | —

Charterhouse Japhet
1 Paternoster Row, EC4 01-248 3999
Adiropa | DM38.55 | 32.08 | +1.8 | 4.77
Adiverba | 48.89 | 51.33 | +0.32 | 4.52
Fondak | 30.78 | 32.32 | +0.19 | 5.14
Fondis | DM20.79 | 21.83 | +0.13 | 5.31
Emperor Fund | $3.79 | 3.94 | — | —
Hispano | $US42.14 | 44.22 | — | 1.67

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070
Fonselex | Fr1,306 | 1,436 | — | 2.40
Bondselex | 116.55 | 122.40 | — | 2.40
Central Assets | £148.45 | 148.50 | +0.04 | —

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856
Gilt Fund (Jersey) | 9.25 | 9.70 | — | 11.50
Gilt Trust (I.o.M.) | 110.0 | 112.9 | — | 11.50
Gilt Fnd. Guernsey | 10.01 | 10.06 | — | 11.50
Intl. Govt. Secs. Tst.
First Sterling | £23.95 | 24.10 | — | —
First Intl. | US$251.99 | 251.80 | — | —

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000
Eurinvest | LF1112 | -5 | 4.32
Guernsey Inc. | 65.4 | 69.5 | — | 4.82
Do. Accum. | 83.2 | 88.5 | — | 4.82
KB Far East Fd. | US$13.27 | — | 2.26
KB Gilt Fund | £11.04 | 11.11 | — | 11.62
KB Int.Bd.Fd.Inc. | 101.23 | — | 8.20
KB Int.Bd.Fd.Acc. | 106.67 | — | —
KB Intl. Fund | $US12.49 | — | 2.24
KB Japan Fund | US$30.48 | — | 0.98
K.B. U.S. Gwth. Fd. | US$13.77 | — | 1.45
Signet Bermuda | $US5.26 | — | 1.90

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Tst. O'seas | 51.0 | 53.6 | — | 3.10
Next dealing August 15.
Lloyds Trust Gilt | £10.30 | 10.29 | — | 11.75
Next dealing August 1.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)
Lloyds Int. Growth | SF334.0 | 357.50 | — | 1.20
Lloyds Int. Income | SF293.50 | 304.5 | — | 5.30

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588
Atlantic July 24 | US$3.66 | 4.02 | — | —
Aus. Ex. July 25 | US$2.97 | 3.35 | — | —
Gold Ex.Acc. | US$19.45 | 21.56 | — | —
Island | 137.2 | 146.0 | -0.5 | 4.04
(Accum Units) | 199.8 | 212.6 | -0.7 | 4.04

Midland Bank Tst. Corp. (Jersey) Ltd.
28-34, Hill St., St. Helier, Jersey. 0534 36281
Midland Drayton Gilt | 103.20 | 103.80 | — | 11.36

Samuel Montagu Ldn. Agents
114, Old Broad St., EC2. 01-588 6464
Apollo Fed. July 25 | SF43.40 | 47.10 | -0.90 | 2.90
Japfest July 14 | HK$12.92 | 13.99 | — | 0.91
117 Group July 25 | $US11.46 | 12.51 | +0.07 | 2.23
117 Jersy July 11 | £5.07 | 5.49 | — | 0.76
117 Jsy. O's July 4 | £6.62 | 6.97 | — | —

Murray, Johnstone (Inv. Adviser)
163, Hope St., Glasgow, C2. 041-221 5521
*Hope St. Fd. | US$31.85 | — | —
*Murray Fund | US$12.64 | — | —
*NAV July 15.

Nat. Westminster Jersey Fd. Mgrs. Ltd.
45 La Motte St., St. Helier, Jersey. 0534 36241
High Income Fund | 49.5 | 51.0 | -1.0 | 11.11
Equity Fund | 47.3 | 49.0 | -1.0 | 3.38

Negit S.A.
10a Boulevard Royal, Luxembourg
NAV July 20 | US$12.57 | — | —

Negit Ltd.
Bank of Bermuda Bldgs., Hamilton, Brmda.
NAV July 20 | £4.05 | +0.24 | —

Pacific Basin Fund
10a Boulevard Royal, Luxembourg.
NAV July 27 | US$10.58 | — | —

Phoenix International
PO Box 77, St. Peter Port, Guern. 0481 26741
Inter-Dollar Fund | $US2.42 | 2.61 | — | —
Far East Fund | $US1.99 | 2.15 | — | —
Intl. Currency Fund | $US1.39 | 1.51 | — | —
Dollar Fxd. Int. Fund | $US1.62 | 1.76 | — | —
Ster. Exempt Gilt Fd. | £1.16 | 1.24 | — | —

Providence Capitol Life Ass. (C.I.)
PO Box 121, St Peter Port, Guernsey 0481 26726/9
Sterling Bond Fd. | 52.5 | 55.1 | — | —
Sterling Equity Fd. | 50.0 | 52.6 | — | —
Intnl. Bond Fd. | US$0.96 | 1.00 | — | —
Intnl. Equity Fd. | $US0.95 | 1.00 | — | —
Prices at July 25. Next dealing Aug. 1.

Quest Fund Mngmnt. (Jersey) Ltd.
PO Box 194, St. Helier, Jersey. 0534 27441
Quest Stlg. Fxd. Int. | 87.1 | 92.2 | — | 13.01
Quest Intl. Secs. | $0.917 | 0.987 | — | 3.84
Quest Intl. Bd. | $0.947 | 1.003 | — | 8.97

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NOTES

Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 13

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sindall (Wm.)	155	......
Bertam	24	......	IRISH		
Bdg'Wtr. Est. 50p	400	−15	Conv. 9% '80/82	£86¼	......
Clover Croft	28	......	Nat. 9¾% 84/89	£71⅝	......
Craig & Rose £1	£11½	......	Fin. 13% 97/02	£84⅞	......
Dyson (R. A.) A	25	......	Alliance Gas	88	......
Ellis & McHdy	180	......	Arnott	345	......
Fife Forge	54	......	Carroll (P.J.)	104	......
Finlay Pkg. 5p	20	......	Clondalkin	79	......
Graig Ship. £1	295xd	......	Concrete Prods.	57	......
Higsons Brew	78	......	Heiton (Hldgs.)	82	......
Holt (Jos) 25p	260	......	Ins. Corp.	210	......
I.O.M. Stm. £1	160	......	Irish Ropes	70	......
Pearce (C. H.)	265	......	Jacob	40	......
Peel Mills	30	......	T.M.G.	175	+10
Sheff. Refrshmt.	105	......	Unidare	84	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	24	Tube Invest.	30
A. Brew	9	"Imps"	8	Unilever	55
BOC Intl.	6	I.C.L.	55	U.D.T.	5
B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lofs"	5	Cap. Counties	9
B.A.T.	28	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	Shell	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½		
G.K.N.	28	Tesco	7	Charter Cons.	16
Hawker Sidd.	26	Thorn	35	Cons. Gold	20
House of Fraser	18	Trust Houses	17	Rio T. Zinc	27

FINANCIAL TIMES

Monday July 30 1979

Front-line states link up before commonwealth talks

BY DAVID PALMER AND MARTIN DICKSON IN LUSAKA

A SPECIAL meeting of the Presidents of the front-line States and Patriotic Front guerrilla leaders is being convened in Lusaka today on the eve of the Commonwealth Heads of Government Conference.

This unscheduled development has been arranged at short notice. The Presidents of the three Commonwealth front-line States—Kaunda of Zambia, Nyerere of Tanzania and Sir Seretse Khama of Botswana—are expected to be joined by Presidents Machel of Mozambique and Neto of Angola, and Mr. Joshua Nkomo and Mr. Robert Mugabe, who control the two guerrilla armies fighting to bring down Bishop Muzorewa's regime in Salisbury.

The formal purpose of the meeting is to draw up a common strategy for the Commonwealth Conference. But it only serves to underline the extent to which the Rhodesian issue will dominate the eight-day summit of 39 nations.

Britain sees the Lusaka meeting as the last stage in consultations before Lord Carrington formally launches a new set of constitutional proposals which would build on Rhodesia's internal settlement.

These proposals would be designed to bring Rhodesia to legal independence with "the widest possible international recognition."

It is hoped the conference will reach broad agreement on guidelines and principles within which the UK can pursue its Rhodesian initiative.

However, the British delegation will face an extremely distrustful group of African States which fear that Mrs. Thatcher is using delaying tactics to get the Commonwealth Conference behind her before moving rapidly towards lifting Rhodesian sanctions.

Leading African Commonwealth nations are keen that there should be a further attempt to reach a negotiated settlement in Rhodesia.

But they will also want to use the conference to "educate" Mrs. Thatcher in what they see as the realities of the situation and to dissuade her from any precipitate backing for the Muzorewa Government.

The two sides at least have a common desire to see further negotiations on Rhodesia. But their differing perceptions of the problem leave much room for argument.

Among the key factors that will decide the success or failure of the meeting are:

● The role of President Kaunda: President Kaunda is at once one of the African leaders most deeply committed to genuine majority rule, head of a country whose economy is being devastated by the Rhodesian conflict, and chairman of a conference that he badly wants to be seen to be a success.

● The performance of Mrs. Thatcher: the Lusaka meeting will be the most serious test of Mrs. Thatcher's performance on the world stage. She will be handling an issue on which she holds deep personal convictions.

Lord Carrington is expected to play a pivotal role, both in keeping the temperature down, and in guiding the timing and content of British announcements of policy.

● The role of Mr. Fraser: Over the past six weeks Mr. Malcolm Fraser, Australia's Prime Minister, has consciously and deliberately taken over Canada's traditional role of "honest broker" on the Rhodesian issue.

● The conference agenda: Commonwealth officials are hoping that Rhodesia will not be discussed in detail until Friday—the third day of the conference—and that this will be followed by a weekend of informal consultations. This gentle approach could help to produce some kind of an acceptable formula.

Editorial comment Page 10

Thatcher faces Tory pressure

BY PHILIP RAWSTORNE

MRS. MARGARET Thatcher leaves London today for the Commonwealth Conference in Lusaka under renewed Tory Party pressure to recognise the Muzorewa Government and lift the sanctions on Rhodesia.

Right-wing Tory MPs are angry over demands by Lord Carrington, the Foreign Secretary, for radical changes in the Rhodesian constitution before recognition.

Hints of Britain's approach have emerged at Westminster in the past two weeks but many Tory backbenchers were dismayed yesterday by reports of the hard line adopted by Lord Carrington at a meeting in London last week with a Rhodesian delegation led by Dr. Silas Mundawarara, the Deputy Premier.

Lord Carrington, reflecting international pressures on the Government, made it clear that there could be no recognition or removal of sanctions unless the Salisbury regime revised its constitution to abolish the blocking powers and other entrenched privileges of the white minority.

The new constitution would also have to be subjected to a "test of acceptability" by the Rhodesian people, the delegation was told.

Lord Carrington is understood to have informed the group that even if Tory MPs succeeded in rejecting a renewal of the sanctions order in November, the Government would block any attempt to restore normal trade relations until the constitutional reforms had been carried out.

The Government's proposals for restoring Rhodesia to legal independence are to be drawn up after the Lusaka conference and will be put to the Patriotic Front leaders as well as the Muzorewa Government.

If the proposals reflect Lord Carrington's line, Tory MPs threaten a stormy revolt at the party conference this autumn and in the Commons sanctions vote.

The widespread strength of feeling on the issue within the party is demonstrated today with a forceful demand from Mr. Michael Stephen, secretary of the Bow Group's foreign affairs committee, that the Government should recognise the new regime and lift sanctions.

In a paper published by the Bow Group, Mr. Stephen says there is "an unanswerable moral case" for recognition and no legal reason for refusing it.

Paving the way for more onshore oilfields

BY RAY DAFTER, ENERGY EDITOR

FIVE OIL and gas exploration groups will soon begin a new search for onshore fuel resources in England and Scotland.

The Department of Energy is expected to issue five licences tomorrow in the hope that the exploration groups can find another significant oilfield like Wytch Farm, near Corfe Castle in Dorset.

Four of the licences will permit preliminary geological surveys with shallow wells in parts of Southern England extending from Kent to the Bristol Channel. These licences will be granted to: British Petroleum; British Gas Corporation; Continental Oil, a U.S.-based group; and Carless Petroleum, a small UK independent company.

Further exploration licences will probably be granted later in the year to companies wanting to drill in other areas of the South, in Yorkshire and in Scotland.

The fifth licence to be issued will probably permit Premier Consolidated, a UK-based exploration group, to drill for oil in the Caithness-Sutherland area of Scotland. Under the terms of this production licence, Premier could sink deep wells on what is regarded as a promising oil-bearing structure.

Companies were producing on-shore oil long before they realised the potential of the North Sea. However, the amount of oil extracted from these on-shore fields has never accounted for more than a tiny fraction of Britain's domestic oil needs.

Even the British Gas Corporation's Wytch Farm field—considered to be as big as some of the smaller commercial fields in the North Sea—is not expected to produce more than 16,000 barrels a day of crude. This must be set alongside the 500,000 barrels a day currently being produced from BP's North Sea Forties Field.

Wytch Farm presently produces oil at the rate of about 1,000 barrels a day, a rate expected to rise at least to 4,000 barrels a day.

British Gas hopes that once it has drilled deeper production wells, the rate of output can be raised to 16,000 barrels a day. The expected life of the field is just 15 years.

Neither the oil industry nor the Energy Department confident that large new fields can be found onshore. However, it is realised that several small finds, each relatively inexpensive to exploit when set against North Sea standards could help to guarantee Britain remaining a major oil producer well into the 1990s.

Continued from Page 1

Tax relief

change, however, may hope that merely letting the insurance industry know that such a move might be considered will encourage the life companies themselves to invest more widely in small businesses.

Some Ministers would like to change the tax relief on mortgages, but it is accepted that mortgage relief is important in the Tory Party and that to abolish it altogether would be regarded by the party's traditional supporters as a betrayal.

Nevertheless, some Ministers believe that the relief should be allowed to fall in value in real terms by maintaing the ceiling at its present £25,000 level.

Iran cancels gas export plans

BY ANDREW WHITLEY IN TEHRAN

IRAN, believed to possess the world's biggest gas reserves after the Soviet Union, is not to go ahead with any new schemes to export gas by pipeline or in a liquefied form.

Mr. Hassan Morshed, the head of the National Iranian Gas Company (NIGC), said at the weekend that exports were uneconomic at prevailing world prices. Iran will press the Soviet Union for a substantial increase in the price it receives for associated gas exported through the 687-mile Igat-1 pipeline.

Mr. Morshed confirmed that the giant £1.05bn 875-mile Igat-2 pipeline is to be cancelled. The decision was widely expected, but is nevertheless likely to infuriate the Soviet Union and please the U.S., which has been concerned at the prospect of closer economic links between Moscow and the Islamic Republic of Iran.

Iran had signed supply contracts with West Germany, France, Czechslovakia and Austria, whereby nearly 600bn standard cu ft of natural gas would be supplied from 1984 onwards.

The gas would be supplied by the Soviet Union from its Western Orenburg fields in exchange for an equivalanet volume piped by Iran to the USSR's Southern Caucasus Industries.

The ban on future exports also affects the major Kalingas project whereby Japan and the U.S. were each scheduled to receive 2.5m tons a year of liquified gas. The £350m project is still at an early stage after lengthy technical and marketing delays.

Only limited quantities of associated gas from the southern oilfields are being exported to the Soviet Union through Igat-1 as a result of the decline in crude oil production.

Mr. Morshed said exports were 56 per cent of contracted volumes. Future supplies to the end of the contract period in 1985 would be limited to the excess available after domestic needs had been met.

Move to block employment law talks

BY OUR LABOUR CORRESPONDENT

AN ATTEMPT to stop TUC leaders from taking part in talks with the Government on proposed changes in employment law will be made at the annual Congress in Blackpool in September.

The preliminary agenda for Congress contains a spate of strongly worded resolutions condemning intended changes in industrial relations legislation.

It leaves no doubt that many trade unionists will be looking to the TUC for both verbal resistance but for a positive and powerful campaign of opposition.

In one resolution, the Union of Construction, Allied Trades and Technicians seeks to instruct the general council to "withdraw from all discussions with the Government based on their proposals as published."

It also wants the TUC to pull out of the voluntary code of practice on negotiating procedures and conduct of disputes, reached with the last Government, and to start a campaign to alert trade unionists to "the dangers of these proposals and to the possibility of a return to pointless and destructive confrontation policies."

The Bakers, Food and Allied Workers' Union joins UCATT in trying to stop the general council taking part in talks designed to weaken trade union rights through, for instance, economic sanctions or withdrawal of the right to secondary picketing.

Its resolution demands a day of action by all unions against proposed changes in closed shop law and calls on "all affiliated unions to support any union defending shop stewards in difficulty as a result of Tory legislation."

In another resolution, the Association of Cinematograph, Television and Allied Technicians wants the "resources and membership of the entire trade union movement" mobilised in a campaign on the same scale as those which were waged against "In Place of Strife"—the Labour attempts at trade union reform in the late 1960s—and the Conservative's 1971 Industrial Relations Act.

The National Graphical Association joins the calls for resistance in a resolution which attacks recent decisions of the courts on employment law. It calls upon the general council to "offer any necessary support to unions which are subjected to pernicious judicial interpretations of current legislation which amount to judge-created law."

Earlier this month, the Department of Employment published working papers on proposed changes in the law on picketing, the closed shop, and the financing of union ballots.

Mr. James Prior, Employment Secretary, will be consulting both sides of industry and other interested parties on these with a view to introducing a Bill later this year.

If the motions demanding withdrawal succeeded at Congress, these consultations would take place without the TUC.

When the Conservative Party came to power in May, most senior union leaders believed that they must continue talking to the Government. Since, however, some have become increasingly angered by what they see as the Government's announcement without consultation of major policy decisions affecting industry.

This concern about lack of consultation was voiced forcefully on Thursday by Mr. Len Murray, TUC general secretary, after a meeting with Sir Geoffrey Howe, the Chancellor.

The general council has tabled a resolution for Congress arguing that economic stability and progress require the acceptance of certain "key principles" by both Government and trade union movement and expressing its "gravest concern at the repudiation of this approach by the present Government."

This will be accompanied by a general council statement setting out opposition to the Government's economic policy.

Public expenditure cuts and unemployment are unemployment are other area other areas where the Government can expect some rough hadling from delegates at Congress.

Madrid terror bombs kill five

BY DAVID GARDNER IN MADRID

AT LEAST five people were killed and 113 wounded yesterday when bombs exploded at Madrid's airport and at two main railway stations.

The bombings followed four separate weekend attacks on police in the Basque Country, which left three dead and six wounded.

The attacks came barely two weeks after the agreement between the Government and the main Basque parties on home rule provisions for the region, and are thought to be the start of an all-out campaign by separatist guerrillas of ETA-Militar, which said last Wednesday that it would fight on for full independence.

The Madrid bombs exploded within five minutes of each other. The national news-agency EFE had a telephoned warning about an hour earlier saying that bombs would explode within two hours at Barajas International Airport and Madrid's two main railways stations at Apocha and Chamartin.

Phone call

First reports indicate that police bomb squads were sent to these places but that no attempt was made to evacuate the thousands of travellers, including foreign holidaymakers.

One person died at Barajas: three at Atocha, where the bomb behind the information counter: and a Danish woman at Chamartin.

The Civil Governor of Madrid said that security in public places would be stepped up.

At a meeting in the Basque village of Zumaya Sen. Carlos Garaikoetxea, leader of the mainstream Partido Nacionalista Vasco and President of the provisional Basque administration, condemned "these brutal attacks, above all on the eve of an historic opportunity for the Basque Country to decide on an end to violence and a beginning of peace."

Yes vote backed

The statute of autonomy agreed two weeks ago goes to referendum in late September. The pro-statute parties, which include ETA Politico-militar and its political allies, are campaigning for a "yes" vote.

Herri Batasuna, the coalition sympathetic to ETA-Militar, which had about 20 per cent of the popular vote in the April municipal elections, opposes.

Weather

UK TODAY

MAINLY CLOUDY with some rain. Sunny intervals in places.

London, E., N.E., S.E. and Cent. England, E. Scotland
Sunny intervals, cloudy with rain later. Max. 23C (73F).

W. Midlands, Wales, N.W. and S.W. England, W. Scotland, Channel Is., Ulster
Mostly cloudy with rain, clearer later. Max. 21C (70F).

Central Highlands, N.W. Scotland, Orkney and Shetland
Mostly cloudy with rain. Max. 17C (63F).

Outlook. Unsettled and cool.

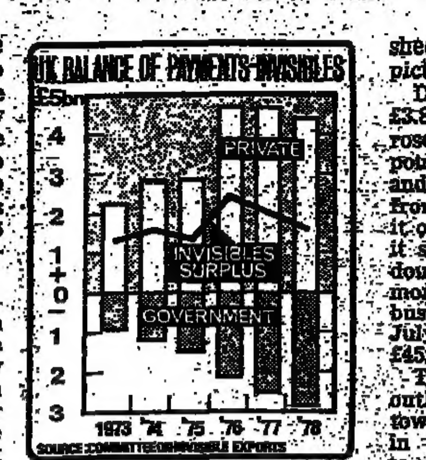
WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	27	81	Lisbon	S	27	81
Algiers	S	32	90	Locarno	S	27	81
Amsdm.	C	19	66	London	R	18	64
Athens	F	29	84	Luxmbg.	F	27	81
Bahrain	S	37	99	Luxor	S	38	100
Barclna.	S	28	82	Madrid	S	35	95
Belfast	C	21	70	Majorca	S	33	91
Belgrd.	S	24	75	Malaga	S	26	79
Berlin	S	25	77	Malta	S	30	86
Biarritz	C	22	72	M'chstr	F	23	73
Bmghm.	C	22	72	Melbne.	S	16	61
Blackpl.	F	18	64	Milan	S	29	84
Bordx.	C	22	72	Mntreal.	C	24	75
Boulgn.	R	17	63	Moscow	C	20	68
Bristol	F	21	70	Munich	F	27	81
Brussels	F	24	75	Nairobi	S	22	71
Budpst.	F	26	79	Naples	S	29	84
B. Aires	S	23	74	Nwcstl.	[illegible]	18	64
Cairo	S	32	89	N. York	C	28	83
Cardiff	F	20	68	Nice	S	26	79
Cas'b'ca	S	26	79	Nicosia	S	28	82
Cape T.	S	18	64	Oporto	S	23	73
Chicago	S	26	79	Oslo	R	15	59
Cologne	C	26	79	Paris	F	26	79
Conhgn.	R	14	57	Perth	C	17	63
Corfu	S	31	88	Prague	S	23	73
Dublin	R	18	64	Reykjvk.	C	23	73
Dbrvnk.	S	27	81	Rhodes	S	29	84
Ednbgh.	F	21	70	Rome	S	30	86
Faro	S	29	84	Salzbrg.	F	26	79
Florence	S	32	90	Singapr.	C	26	78
Frankft.	F	26	79	Stckhm.	F	20	68
Funchal	S	25	77	Strasbg.	S	29	84
Geneva	S	30	86	Sydney	S	15	59
Gibrltr.	S	27	81	Tangier	S	30	86
Glasgow	F	20	68	Tehran	S	30	86
G'rnsey	C	17	63	Tel Aviv	S	28	82
Helsinki	R	17	63	Tenerife	S	28	82
H. Kong	C	30	86	Tokyo	S	31	88
Innsbrk.	S	27	81	Toronto	C	23	74
Invrnss.	C	17	63	Tunis	S	35	95
I.o.Man	R	15	59	Valencia	S	30	86
Istanbul	F	24	75	Venice	F	27	81
Jersey	C	17	63	Vienna	C	20	68
Jo'burg	S	15	58	Warsaw	F	22	72
L. Pims.	S	27	81	Zurich	S	28	82

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

The squeeze on invisibles



THE RECENT monthly trade returns have been at once so grim and so unreliable that the slight reduction in the monthly estimate for the UK's invisible account surplus—by £10m to £110m—has been almost too small to merit attention. It is too easy to forget that in 1976 the invisible surplus was running at over £200m a month.

The deterioration in the invisible surplus—from £2.5bn in 1976 to £1.4bn last year—can be very crudely accounted for by pointing to the steady rise in the Government's transfer debits. These seem set to rise ineluctably as the EEC Budget grows year by year and the UK contributes a larger share of the budget: this year there will be some rebates to soften the impact, but in 1980 the transitional arrangements come to an end. Full membership of the EEC will mean a large outflow on transfer account—already by 1978 the deficit on official transfers had risen to £1.7bn, more than doubled in two years. Private transfers abroad may also rise as a result of exchange control relaxations.

At present, the shrinkage of net earnings from profits, earnings and dividends across the exchanges constitutes another major source of pressure on the invisible surplus. Increasing remittances from foreign companies with North Sea stakes were already narrowing the surplus on this part of the invisible account before the higher oil price increased their profits still further. At the same time, remittances back to the UK from British companies abroad are affected by the strength of sterling. The most favourable factor on this part of the account is the reduction in official overseas debt and the consequent fall in interest debits: on the other hand, overseas holdings of gilt-edged stock have recently been rising.

So while the deficit on transfers will be growing through 1979 and 1980 from the 1978 total of £2bn, the surplus on profits, interest and dividends, of £550m last year, may quite possibly disappear. The question is whether the surplus on services can grow fast enough to offset the deterioration elsewhere.

The Committee on Invisible Exports has said that it is expecting net overseas earnings of the major service industries to grow by only five to six per cent this year, a figure that may now have to be trimmed back to take account of the strength in sterling. In 1978 service credits (excluding the small general government sector) came to £11.7bn, with a surplus on private sector services of £3.7bn being reduced to £2.9bn by the official services deficit.

The danger in the services sector is that any improvement on items as diverse as shipping, banking, films, process plant, contracting and advertising will be undermined by the transport account. The civil aviation surplus looks set to fall from last year's £330m and the tourism and travel surplus, £860m in 1978, looks very vulnerable.

Slowing growth in the UK should reduce demand for overseas holidays and the favourable terms of trade effect of the strengthening pound should counteract the loss of competitiveness. But the most recent statistics suggest that British residents, liberated from currency worries for the first time in years, are flooding abroad and spending more than ever when they get there. At the same time, British earnings from tourism seem to be under a good deal of pressure.

In the long term, the UK invisible surplus should reflect a growing service sector and higher earnings from overseas assets, but the trend over the next few years, even if sterling weakens, looks rather bleak. The resilience of the invisible surplus has proved surprising in the past and it is not going to disappear now, but it is being squeezed unmercifully.

Dunbee-Combex-Marx

The annual meeting of Dunbee-Combex-Marx on August 20 should be of special interest to those institutions which attended a special meeting with the Board last October, following the bad interim figures. Then they were told that the group's gearing at the end of December would not be materially different from a year earlier. But the balance sheet now shows a very different picture.

Despite a property surplus of £3.8m, shareholders' funds only rose by a few hundred thousand pounds in 1978 to £23.6m. Debt and deferred payments jumped from £18.9m to £30.6m, most of it owed to the banks and all of it secured. And December no doubt represents a favourable moment for a seasonal toy business like Dunbee. Last July, its borrowings exceeded £45m.

The immediate profits outlook is not bright. Progress towards recovery is expected in 1979, but Dunbee's efforts to release badly needed capital are likely to produce extraordinary costs. The trading agreement with China announced last October, has been "slow to develop." And this year the interim results will reflect in full for the first time the extra seasonal swings in trading brought about by acquisitions in the U.S. That means there will be a very substantial half-year loss.

One point that will please the institutions is that Dunbee has abandoned its old accounting treatment of toy moulds: it used to revalue them in the balance sheet and charge the extra depreciation straight to reserves. They will also note with approval the proposal to appoint Coopers and Lybrand to act jointly with Dunbee's existing auditors, H. W. Fisher and Co.

Yet the extent of Dunbee's current malaise is clearly visible in its share price. On Friday, it closed at a new low of 48p, less than a third of last year's high point. The market capitalisation is just £11½m and the assumption is that the dividend, which was almost all met out of reserves last year, is going to be trimmed back very sharply in 1979.

Sasol

Selling off stakes in state enterprises is not an idea confined to the UK. In South Africa the sums involved in the expansion of Sasol, the operation which produces oil from coal are so huge that the Government has had to turn to the stock market. The share issue announced over the weekend is to raise R525m (£270m) from an equity market which is about a quarter the size of the UK's. But the decision to raise over 90 per cent of the money through a private placement of partly paid shares with institutional investors, with future calls spread over two years, will cushion the impact on the Johannesburg market.

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